

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-8707

NATURE'S SUNSHINE PRODUCTS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Utah

(State or Other Jurisdiction of
Incorporation or Organization)

87-0327982

(I.R.S. Employer
Identification No.)

75 East 1700 South
Provo, Utah 84606
(Address of Principal Executive Offices, including Zip Code)

(801) 342-4300
(Registrant's Telephone Number, including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, during the preceding 12 months (or such shorter period that the Registrant was required to file such report(s)), and (2) has been subject to such filing requirements for the past 90 days.

Yes /X/ No / /

The number of shares of common stock, no par value, outstanding as of November 9, 2000, was 16,552,868.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

	September 30, 2000	December 31, 1999
	-----	-----
<S> ASSETS	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 29,815	\$ 18,433
Accounts receivable, net	9,393	7,090
Inventories	27,193	26,660
Deferred income tax assets	3,175	2,565
Prepaid expenses and other	8,281	8,575
	-----	-----
Total Current Assets	77,857	63,323
PROPERTY, PLANT AND EQUIPMENT, net	24,298	25,193

LONG-TERM INVESTMENTS	11,897	12,368
INTANGIBLE AND OTHER ASSETS, net	7,306	6,551
	-----	-----
	\$121,358	\$107,435
	=====	=====

</TABLE>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

	September 30, 2000	December 31, 1999
	-----	-----
<S>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt	\$ 545	\$ 1,018
Accounts payable	5,514	5,279
Accrued volume incentives	11,796	10,685
Accrued liabilities	11,112	8,479
Income taxes payable	3,213	2,268
	-----	-----
Total Current Liabilities	32,180	27,729
	-----	-----
LONG-TERM LIABILITIES:		
Deferred income tax liabilities	2,645	1,116
Deferred compensation	1,390	1,053
	-----	-----
Total Long-Term Liabilities	4,035	2,169
	-----	-----
SHAREHOLDERS' EQUITY:		
Common stock, no par value; 20,000 shares authorized, 19,446 shares issued	37,398	37,659
Retained earnings	99,628	87,463
Treasury stock, at cost, 2,749 and 2,318 shares, respectively	(41,469)	(38,174)
Accumulated other comprehensive loss	(10,414)	(9,411)
	-----	-----
Total Shareholders' Equity	85,143	77,537
	-----	-----
	\$ 121,358	\$ 107,435
	=====	=====

</TABLE>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(AMOUNTS IN THOUSANDS, EXCEPT PER-SHARE INFORMATION)
(UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended September 30,	
	2000	1999
	-----	-----
<S>	<C>	<C>
SALES	\$ 75,884	\$ 73,240
	-----	-----
COSTS AND EXPENSES:		
Cost of goods sold	13,696	13,151
Volume incentives	33,940	33,275
Selling, general and administrative	20,925	20,622
	-----	-----
	68,561	67,048
	-----	-----

OPERATING INCOME	7,323	6,192
OTHER INCOME, net	20	304
	-----	-----
INCOME BEFORE PROVISION FOR INCOME TAXES	7,343	6,496
PROVISION FOR INCOME TAXES	2,871	2,368
	-----	-----
NET INCOME	4,472	4,128
	-----	-----
OTHER COMPREHENSIVE LOSS, net of tax:		
Foreign currency translation adjustments	(588)	(520)
Unrealized holding gains (losses)	226	(8)
Reclassification adjustment for gains included in net income	1	(40)
	-----	-----
	(361)	(568)
	-----	-----
COMPREHENSIVE INCOME	\$ 4,111	\$ 3,560
	=====	=====
BASIC NET INCOME PER COMMON SHARE	\$ 0.27	\$ 0.24
	=====	=====
WEIGHTED AVERAGE BASIC SHARES	16,736	17,472
	=====	=====
DILUTED NET INCOME PER COMMON SHARE	\$ 0.27	\$ 0.24
	=====	=====
WEIGHTED AVERAGE DILUTED SHARES	16,764	17,547
	=====	=====

</TABLE>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(AMOUNTS IN THOUSANDS, EXCEPT PER-SHARE INFORMATION)
(UNAUDITED)

<TABLE>
<CAPTION>

	Nine Months Ended September 30,	
	2000	1999
	-----	-----
<S>	<C>	<C>
SALES	\$ 234,242	\$ 217,056
	-----	-----
COSTS AND EXPENSES:		
Cost of goods sold	41,858	38,292
Volume incentives	105,832	99,162
Selling, general and administrative	64,596	58,370
	-----	-----
	212,286	195,824
	-----	-----
OPERATING INCOME	21,956	21,232
OTHER INCOME, net	781	1,446
	-----	-----
INCOME BEFORE PROVISION FOR INCOME TAXES	22,737	22,678
PROVISION FOR INCOME TAXES	8,878	8,763
	-----	-----
NET INCOME	13,859	13,915
	-----	-----
OTHER COMPREHENSIVE LOSS, net of tax:		
Foreign currency translation adjustments	(1,107)	(3,066)
Unrealized holding gains	144	38
Reclassification adjustment for gains included in net income	(40)	(71)
	-----	-----
	(1,003)	(3,099)
	-----	-----
COMPREHENSIVE INCOME	\$ 12,856	\$ 10,816
	=====	=====
BASIC NET INCOME PER COMMON SHARE	\$ 0.82	\$ 0.79
	=====	=====
WEIGHTED AVERAGE BASIC SHARES	16,929	17,722
	=====	=====
DILUTED NET INCOME PER COMMON SHARE	\$ 0.81	\$ 0.78
	=====	=====

</TABLE>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

	Nine Months Ended September 30,	
	2000	1999
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 13,859	\$ 13,915
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,883	6,046
(Gain) loss on sale of property, plant and equipment	17	(7)
Deferred income taxes	919	53
Deferred compensation	337	718
Changes in assets and liabilities:		
Accounts receivable, net	(2,303)	224
Inventories	(533)	139
Prepaid expenses and other assets	327	(2,809)
Accounts payable	235	2,018
Accrued volume incentives	1,111	276
Accrued liabilities	2,633	3,276
Income taxes payable	945	(813)
Cumulative currency translation adjustments	(882)	(1,889)
	-----	-----
Net Cash Provided by Operating Activities	21,548	21,147
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(3,029)	(5,198)
Purchase of long-term investments, net	576	(2,156)
Payments received (advances) on long-term receivables	(278)	46
Purchase of other assets	(1,548)	(2,030)
Proceeds from sale of property, plant and equipment	65	25
	-----	-----
Net Cash Used in Investing Activities	(4,214)	(9,313)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of cash dividends	(1,695)	(1,773)
Purchase of treasury stock	(3,588)	(8,008)
Repayments of short-term debt	(473)	(562)
Proceeds from exercise of stock options	29	--
	-----	-----
Net Cash Used in Financing Activities	(5,727)	(10,343)
	-----	-----
EFFECT OF EXCHANGE RATES ON CASH	(225)	(1,177)
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,382	314
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	18,433	22,099
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	\$ 29,815	\$ 22,413
	=====	=====

</TABLE>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN THOUSANDS, EXCEPT PER-SHARE INFORMATION)
(UNAUDITED)

(1) INTERIM FINANCIAL STATEMENT POLICIES AND DISCLOSURES

The unaudited, condensed consolidated financial statements of Nature's Sunshine Products, Inc. and subsidiaries included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally required in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although the Company believes the following disclosures are adequate to make the information presented not misleading.

These condensed consolidated financial statements reflect all adjustments, which in the opinion of management are necessary to present fairly the financial position as of September 30, 2000, and the results of operations for the periods presented. All of the adjustments which have been made in these condensed consolidated financial statements are of a normal recurring nature. Operating results for the three and nine months ended September 30, 2000, are not necessarily indicative of the results that may be expected for the year ending December 31, 2000.

It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

(2) NET INCOME PER COMMON SHARE

Basic net income per common share (Basic EPS) excludes dilution and is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted net income per common share (Diluted EPS) reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted into common stock. The

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computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect on net income per common share.

As of September 30, 2000, the Company had a total of 3,499 common stock options outstanding. These options were all granted at fair market value and have a weighted average exercise price of \$8.68.

Following is a reconciliation of the numerator and denominator of Basic EPS to the numerator and denominator of Diluted EPS for the three and nine months ended at September 30, 2000 and 1999:

<TABLE>
<CAPTION>

	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
	-----	-----	-----
<S>	<C>	<C>	<C>
Three Months Ended September 30, 2000			
Basic EPS	\$4,472	16,736	\$ 0.27
Effect of stock options		28	
	-----	-----	-----
Diluted EPS	\$4,472	16,764	\$ 0.27
	=====	=====	=====
Three Months Ended September 30, 1999			
Basic EPS	\$4,128	17,472	\$ 0.24
Effect of stock options		75	
	-----	-----	-----
Diluted EPS	\$4,128	17,547	\$ 0.24
	=====	=====	=====

</TABLE>

<TABLE>
<CAPTION>

	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
	-----	-----	-----
<S>	<C>	<C>	<C>
Nine Months Ended September 30, 2000			
Basic EPS	\$13,859	16,929	\$ 0.82
Effect of stock options		100	
	-----	-----	-----
Diluted EPS	\$13,859	17,029	\$ 0.81
	=====	=====	=====

Nine Months Ended September 30, 1999

Basic EPS	\$13,915	17,722	\$ 0.79
Effect of stock options	-----	99	-----
Diluted EPS	\$13,915	17,821	\$ 0.78
	=====	=====	=====

</TABLE>

For the three months ended September 30, 2000 and 1999, there were outstanding options to purchase 3,240 and 700 shares of common stock, respectively, that were not included in the computation of Diluted EPS, as their effect would have been anti-dilutive. For the nine months ended September 30, 2000 and 1999, there were outstanding options to purchase 1,095 and 535 shares of

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common stock, respectively, that were not included in the computation of Diluted EPS, as their effect would have been anti-dilutive.

(3) EQUITY TRANSACTIONS

The Company has declared consecutive quarterly cash dividends since 1988. The most recent quarterly cash dividend of 3 1/3 cents per common share was declared on October 31, 2000, to shareholders of record on November 8, 2000 and is payable on November 15, 2000.

For the nine months ended September 30, 2000, the Company repurchased approximately 448 shares of its common stock. On October 28, 1999, the Board of Directors authorized the repurchase of up to 1,000 shares of the Company's common stock as market conditions warrant. As of September 30, 2000, the Company had repurchased approximately 568 shares of common stock under this approval. Subsequent to September 30, 2000, the Company repurchased an additional 144 shares of common stock under this approval.

(4) ACCUMULATED OTHER COMPREHENSIVE LOSS

The composition of accumulated other comprehensive loss, net of tax, is as follows:

<TABLE>
<CAPTION>

	Foreign Currency Adjustments	Unrealized Gains on Available-for Sale Securities	Total Accumulated Other Comprehensive Income (Loss)
	-----	-----	-----
<S>	<C>	<C>	<C>
Balance as of December 31, 1999	\$ (9,748)	\$ 337	\$ (9,411)
Current period change	(1,107)	104	(1,003)
	-----	-----	-----
Balance as of September 30, 2000	\$ (10,855)	\$ 441	\$ (10,414)
	=====	=====	=====

</TABLE>

(5) SEGMENT INFORMATION

The Company has four operating segments. These operating segments are components of the Company for which separate information is available that is evaluated regularly by management in deciding how to allocate resources and in assessing performance. The Company evaluates performance based on operating income (loss).

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The Company's operating segments are based on geographic operations and include a domestic segment (United States) and three international segments (Latin America, Asia Pacific and other regions). Intersegment sales are eliminated in consolidation and are not material.

Operating segment information for the three and nine months ended September 30, 2000 and 1999, is as follows:

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Sales Revenue:				
Domestic	\$ 41,156	\$ 44,510	\$ 132,085	\$ 139,482
International:				

Latin America	20,397	18,334	59,718	52,986
Asia Pacific	9,870	6,164	28,865	12,870
Other	4,461	4,230	13,574	11,718
	-----	-----	-----	-----
	75,884	73,240	234,242	217,056
	-----	-----	-----	-----
Operating Expenses:				
Domestic	36,160	39,053	115,733	120,633
International:				
Latin America	19,125	18,326	56,704	50,962
Asia Pacific	8,873	6,006	26,688	13,838
Other	4,403	3,663	13,161	10,391
	-----	-----	-----	-----
	68,561	67,048	212,286	195,824
	-----	-----	-----	-----
Operating Income:				
Domestic	4,996	5,457	16,352	18,849
International:				
Latin America	1,272	8	3,014	2,024
Asia Pacific	997	158	2,177	(968)
Other	58	569	413	1,327
	-----	-----	-----	-----
	7,323	6,192	21,956	21,232
	-----	-----	-----	-----
Other Income	20	304	781	1,446
	-----	-----	-----	-----
Income Before Provision for Income Taxes	\$ 7,343	\$ 6,496	\$ 22,737	\$ 22,678
	-----	-----	-----	-----

</TABLE>

Segment assets as of September 30, 2000 and December 31, 1999, are as follows:

<TABLE>
<CAPTION>

	September 30, 2000	December 31, 1999
	-----	-----
<S>	<C>	<C>
Assets		
Domestic	\$ 70,812	\$ 66,372
International:		
Latin America	32,528	29,343
Asia Pacific	13,446	8,670
Other	4,572	3,050
	-----	-----
	\$121,358	\$107,435
	=====	=====

</TABLE>

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements, the notes thereto and management's discussion and analysis included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

RESULTS OF OPERATIONS

The following table identifies (i) the relationship that net income items disclosed in the condensed consolidated financial statements have to total sales, and (ii) the amount and percent of change of such items compared to the corresponding prior period.

(Dollar Amounts in Thousands)
(UNAUDITED)

<TABLE>
<CAPTION>

(i)		(ii)	
Income and Expense		Three Months Ended September 30	
Items as a Percent of Sales		2000 to 1999	
-----		-----	
Three Months Ended		Amount of	Percent
September 30		Increase	of
-----		(Decrease)	Change
2000	1999	-----	-----
-----	-----		
<S>	<C>	<C>	<C>
100.0%	100.0%	\$ 2,644	3.6%
-----	-----		

18.0	18.0	Cost of goods sold	545	4.1
44.7	45.4	Volume incentives	665	2.0
27.6	28.1	SG&A expenses	303	1.5
-----	-----		-----	
90.3	91.5	Total operating expenses	1,513	2.3
-----	-----		-----	
9.7	8.5	Operating income	1,131	18.3
0.0	0.4	Other income, net	(284)	(93.4)
-----	-----		-----	
9.7	8.9	Income before provision for income taxes	847	13.0
3.8	3.3	Provision for income taxes	503	21.2
-----	-----		-----	
5.9%	5.6%	Net income	\$ 344	8.3%
=====	=====		=====	

</TABLE>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS

The following table identifies (i) the relationship that net income items disclosed in the condensed consolidated financial statements have to total sales, and (ii) the amount and percent of change of such items compared to the corresponding prior period.

(Dollar Amounts in Thousands)
(UNAUDITED)

(i) Income and Expense Items as a Percent of Sales		(ii) Nine Months Ended September 30 2000 to 1999		
Nine Months Ended September 30			Amount of Increase (Decrease)	Percent of Change
-----	-----	Income and Expense Items	-----	-----
2000	1999			
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
100.0%	100.0%	Sales	\$ 17,186	7.9%
-----	-----		-----	
17.9	17.6	Cost of goods sold	3,566	9.3
45.2	45.7	Volume incentives	6,670	6.7
27.5	26.9	SG&A expenses	6,226	10.7
-----	-----		-----	
90.6	90.2	Total operating expenses	16,462	8.4
-----	-----		-----	
9.4	9.8	Operating income	724	3.4
0.3	0.6	Other income, net	(665)	(46.0)
-----	-----		-----	
9.7	10.4	Income before provision for income taxes	59	0.3
3.8	4.0	Provision for income taxes	115	1.3
-----	-----		-----	
5.9%	6.4%	Net income	\$ (56)	(0.4)%
=====	=====		=====	

</TABLE>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

SALES

Sales for the three months ended September 30, 2000, were \$75.9 million compared to \$73.2 million in the prior year, an increase of approximately 4 percent. Sales for the nine months ended September 30, 2000, were \$234.2 million compared to \$217.1 million in the same period the prior year, an increase of

approximately 8 percent. The increase in sales for the three and nine months ended September 30, 2000, is attributable to strong sales increases throughout its international operations.

Sales in the Company's domestic operations for the three and nine months ended September 30, 2000, were \$41.2 million and \$132.1 million, a decrease of approximately 8 percent and 5 percent, respectively, compared to the same periods in the prior year. The domestic sales decrease was caused by increased product competition in the nutritional supplement market, as well as increased competition for Distributors. The Company expects competition to remain strong for the foreseeable future. However, the total number of domestic Distributors was approximately 216,000 as of September 30, 2000, up 12 percent from December 31, 1999.

The Company's international operations reported sales of \$34.7 million and \$102.2 million for the three and nine months ended September 30, 2000, an increase of approximately 24 percent and 34 percent, respectively, compared to the same periods in 1999. Year-to-date, international sales accounted for approximately 44 percent of consolidated sales.

Sales in Latin America were \$20.4 million and \$59.7 million for the three and nine months ended September 30, 2000, an increase of 11 percent and 13 percent, respectively, compared to the same periods in the prior year. The sales growth experienced in Latin America was primarily due to increased sales reported in Mexico as well as more stable currencies throughout the region.

Sales in Asia Pacific were \$9.9 million and \$28.9 million for the three and nine months ended September 30, 2000, an increase of 60 percent and 124 percent, respectively, compared to the same

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periods in the prior year. The sales growth experienced in the Company's Asia Pacific markets is the result of increased product demand supported by educational and promotional programs implemented in South Korea.

Sales in the Company's other markets were \$4.5 million and \$13.6 million for the three and nine months ended September 30, 2000, an increase of 5 percent and 16 percent, respectively, compared to the same periods in the prior year. The sales growth experienced in the Company's other markets is primarily due to the growth of its operations in Russia, which were launched in April 1999, as well as the commencement of its operations in Israel during April 2000.

The Company's independent sales force consists of Managers and Distributors. A Distributor interested in earning additional income by committing more time and effort to selling the Company's products may attain the rank of "Manager." Appointment as a Manager is dependent upon attaining certain purchase volume levels and demonstrating leadership abilities. The number of Managers at September 30, 2000, was 16,300, up 13 percent from December 31, 1999. The number of Distributors at September 30, 2000, was approximately 573,000, an increase of approximately 8 percent from December 31, 1999.

COST OF GOODS SOLD

For the nine months ended September 30, 2000, the Company experienced a slight increase in cost of goods sold, as a percentage of sales, compared to the same period in the prior year. The increase in cost of goods sold was primarily the result of the increase in international sales where cost of goods sold is slightly higher than in the Company's domestic operations. Management expects cost of goods sold to remain relatively constant as a percent of sales during the remainder of 2000, as compared to the nine months ended September 30, 2000.

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VOLUME INCENTIVES

Volume incentives are payments to independent sales force members for reaching certain levels of sales performance and organizational development and are an integral part of the Company's direct sales marketing program. Volume incentives vary slightly, on a percentage basis, by product due to the Company's pricing policies. For the nine months ended September 30, 2000, the Company experienced a slight decrease in volume incentives, as a percentage of sales, compared to the same period the prior year. The decrease in volume incentives is primarily the result of the increase in international sales where volume incentives are lower than in the domestic operations. Management expects volume incentives to remain relatively constant, as a percent of sales, during the remainder of 2000, as compared to the nine months ended September 30, 2000.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the three and nine months ended September 30, 2000, increased, as a percent of sales, compared to the same period of the prior year as a result of the decrease in sales in the Company's domestic market. Increased expenditures in expanding the Company's international markets also contributed to the increase in selling, general and administrative

expenses. Management expects selling, general and administrative expenses to decrease slightly as a percent of sales, for the year ending December 31, 2000, compared to the nine months ended September 30, 2000.

SEGMENT INFORMATION

See information included in the condensed consolidated financial statements under Item 1 Note 5.

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BALANCE SHEET

ACCRUED LIABILITIES

Accrued liabilities increased approximately \$2.6 million as of September 30, 2000, as compared to December 31, 1999, as a result of accruals associated with the Company's sales conventions and travel programs.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased approximately \$11.4 million for the nine months ended September 30, 2000. The increase in cash and cash equivalents is primarily the result of net income as well as the increases in accrued liabilities and other payables. During the nine months ended September 30, 2000, cash totaling \$3.6 million was used to repurchase approximately 450,000 shares of common stock. Management believes the Company's stock is an attractive investment and pursuant to its recently announced 1,000,000 common share buyback program, the Company purchased an additional 144 shares of its common stock subsequent to September 30, 2000.

Management believes that working capital requirements can be met through the Company's available cash and cash equivalents and internally-generated funds for the foreseeable future; however, a prolonged economic downturn or a decrease in the demand for the Company's products could adversely affect the long-term liquidity of the Company. In the event of a significant decrease in cash provided by the Company's operating activities, it might be necessary for the Company to obtain external sources of funding. The Company does not currently maintain a credit facility or any other external sources of long-term funding; however, management believes that such funding could be obtained on competitive terms in the event additional sources of funds became necessary.

On March 2, 2000, the Company announced its plans to complete the manufacturing, research and development and quality assurance areas of its recent facility expansion. Construction began during the third quarter of 2000. The cost of this project is expected to be approximately \$14.0 million of

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which \$.6 million was paid during the quarter ended September 30, 2000. It is expected to take approximately two years to complete the expansion project, and the Company anticipates this expansion as well as other capital projects to be funded from working capital.

On October 17, 2000, the Company signed a non-binding letter of intent to acquire the assets of WorldWide Financial Holdings, Inc., and the assets of its wholly owned subsidiary, Synergy WorldWide, Inc., which markets nutritional and personal care products in Japan and Taiwan. On November 2, 2000, the Company announced it had consummated the acquisitions for approximately \$4.7 million in cash. The purchase price and ongoing operating costs were funded by internally-generated funds.

The purchase is expected to approximately double the size of the Company's current operations in Japan. As of September 30, 2000, Synergy WorldWide, Inc. had over 15,000 active distributors in Japan.

LEGAL PROCEEDINGS

The Company is a defendant in various lawsuits which are incidental to the Company's business. Management, after consultation with legal counsel, believes that the ultimate disposition of these matters will not have a material effect upon the Company's consolidated results of operations or financial position.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations and other items within this Form 10-Q may contain forward-looking statements. Such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements may relate but not be limited to projections of revenues, income or loss, capital expenditures, plans for growth and future operations, financing needs, as well as assumptions relating to the foregoing. Forward-looking statements are inherently

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subject to risks and uncertainties, some of which cannot be predicted or quantified. When used in "Management's Discussion and Analysis of Financial Condition and Results of Operations", and elsewhere in this Form 10-Q the words "estimates", "expects", "anticipates", "projects", "plans", "intends" and variations of such words and similar expressions are intended to identify forward-looking statements that involve risks and uncertainties. Future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has investments, which by nature are subject to market risk. At September 30, 2000, the Company had investments of \$15.7 million of which \$9.1 million were held as municipal obligations and carry fixed interest rates. Approximately \$8.9 million mature between one and five years and carry a weighted average interest rate of 5.5 percent. The remaining balance of \$.2 million matures after five years and carries a weighted average interest rate of 4.1 percent.

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PART II OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

- a) No exhibits are required to be filed by Item 601 of Regulation S-K.
- b) No reports were filed on Form 8-K during the quarter for which this report is filed.

OTHER ITEMS

There were no other items to be reported under Part II of this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATURE'S SUNSHINE PRODUCTS, INC.

Date: November 9, 2000

/s/ Daniel P. Howells

Daniel P. Howells, President & Chief
Executive Officer

Date: November 9, 2000

/s/ Craig D. Huff

Craig D. Huff, Chief Financial Officer

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