

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

(Mark One)

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

For the Quarterly Period Ended March 31, 1997

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 #0-8707

NATURE'S SUNSHINE PRODUCTS, INC.

(Exact Name of Registrant)

UTAH

87-0327982

(State of Incorporation)

(I.R.S. Employer Identification Number)

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

(801) 342-4407
(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, without par value, outstanding as of April 30, 1997, was 18,721,512.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollar Amounts In Thousands)

	(Unaudited) March 31 1997	December 31 1996
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$30,937	\$27,879
Accounts receivable, net	8,138	6,698
Inventories	22,361	24,459
Prepaid expenses and other	7,380	8,014
	-----	-----
Total Current Assets	68,816	67,050
PROPERTY, PLANT AND EQUIPMENT, net	20,036	20,197
LONG-TERM INVESTMENTS	2,069	2,048

OTHER ASSETS	2,633	2,701
	-----	-----
	\$93,554	\$91,996
	-----	-----
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The accompanying notes to the financial statements are an integral part of these consolidated condensed balance sheets.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS (CONTINUED)
(Dollar Amounts In Thousands)

	(Unaudited) March 31 1997	December 31 1996
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt	\$ 2,376	\$ 2,788
Accounts payable	5,670	4,225
Accrued volume incentives	11,048	8,729
Accrued liabilities	9,901	9,992
Income taxes payable	2,949	1,756
	-----	-----
Total Current Liabilities	31,944	27,490
	-----	-----
DEFERRED INCOME TAXES	1,392	1,343
	-----	-----
SHAREHOLDERS' EQUITY:		
Common stock, no par value, 20,000 shares authorized; 19,446 shares issued	38,885	39,406
Retained earnings	36,929	33,549
Treasury stock, at cost, 650 and 334 shares at March 31, 1997 and December 31, 1996, respectively	(11,450)	(5,868)
Receivables due from related parties	(83)	(84)
Cumulative translation adjustments	(4,063)	(3,840)
	-----	-----
Total Shareholders' Equity	60,218	63,163
	-----	-----
	\$ 93,554	\$ 91,996
	-----	-----
	-----	-----

The accompanying notes to the financial statements are an integral part of these consolidated condensed balance sheets.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Amounts In Thousands, Except Per-Share Information)

	Three Months Ended March 31	
	(Unaudited)	
	1997	1996
	-----	-----
SALES REVENUE	\$67,825	\$60,113
	-----	-----

COSTS AND EXPENSES:		
Cost of goods sold	12,060	10,384
Volume incentives	31,404	27,896
Selling, general and administrative	17,951	16,753
	-----	-----
	61,415	55,033
	-----	-----
OPERATING INCOME	6,410	5,080
	-----	-----
OTHER INCOME (EXPENSE):		
Interest and other income	467	744
Interest expense	(11)	(32)
Foreign exchange loss	(166)	(207)
Minority interest	71	(5)
	-----	-----
	361	500
	-----	-----
INCOME BEFORE INCOME TAXES	6,771	5,580
	-----	-----
PROVISION FOR INCOME TAXES	2,761	2,304
	-----	-----
NET INCOME	\$ 4,010	\$ 3,276
	-----	-----
	-----	-----
NET INCOME PER COMMON SHARE	\$ 0.21	\$ 0.17
	-----	-----
	-----	-----
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
	19,364	19,458
	-----	-----
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The accompanying notes to the financial statements are an integral part of these consolidated condensed statements of income.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
(Dollar Amounts In Thousands)

	Three Months Ended March 31	
	(Unaudited)	
	1997	1996
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from sales revenue	\$ 66,182	\$ 60,494
Cash paid as volume incentives	(29,085)	(24,936)
Cash paid to suppliers and employees	(24,906)	(24,176)
Interest paid	(11)	(32)
Interest received	503	668
Income taxes paid	(1,519)	(893)
	-----	-----
Net Cash Provided by Operating Activities	11,164	11,125
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(783)	(2,830)
Purchase of long-term investments	(21)	(49)
Payments received on long-term receivables	52	68
Payments received on related party receivables	1	91
Purchase of other assets	(132)	---
Minority interest elimination	38	5
	-----	-----
Net Cash Used in Investing Activities	(845)	(2,715)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of cash dividends	(630)	(620)
Purchase of treasury stock	(6,837)	---
(Repayments of)/proceeds from short-term debt	(412)	726
Proceeds from exercise of stock options	733	197
	-----	-----
Net Cash (Used in)/Provided By Financing Activities	(7,146)	303
	-----	-----

EFFECT OF EXCHANGE RATES ON CASH	(115)	(8)
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,058	8,705
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	27,879	14,172
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$30,937	\$22,877
	-----	-----

The accompanying notes to the financial statements are an integral part of these consolidated condensed statements of cash flows.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (CONTINUED)
Reconciliation of Net Income to Net Cash Provided by Operating Activities
(Dollar Amounts In Thousands)

	Three Months Ended March 31	
	(Unaudited)	
	1997	1996
	-----	-----
NET INCOME	\$ 4,010	\$ 3,276
	-----	-----
Bad debt expense	66	16
Depreciation and amortization	1,092	867
(Increase) decrease in accounts receivable	(1,506)	497
Decrease in inventories	2,099	472
Decrease (increase) in prepaid expenses & other assets	596	(1,924)
Increase in income taxes payable	1,193	1,214
Increase in accrued liabilities and volume incentives	2,228	6,864
Increase (decrease) in accounts payable	1,445	(693)
Increase in deferred income taxes	49	197
Cumulative translation adjustments	(108)	339
	-----	-----
Total Adjustments	7,154	7,849
	-----	-----
Net Cash Provided by Operating Activities	\$11,164	\$11,125
	-----	-----

The accompanying notes to the financial statements are an integral part of these consolidated condensed statements of cash flows.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Dollar Amounts In Thousands, Except Per-Share Information)

(1) INTERIM FINANCIAL STATEMENT POLICIES AND DISCLOSURES

The unaudited, consolidated condensed 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 generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These consolidated condensed financial statements reflect all adjustments, which in the opinion of management, are necessary to present fairly the financial position as of March 31, 1997, and the results of operations for the interim periods presented. All of the adjustments which have been made in these consolidated condensed financial statements are of a normal recurring nature.

It is suggested that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest Annual Report on Form 10-K.

(2) INVENTORIES

Inventories consist of:	(Unaudited)	
	March 31 1997	December 31 1996
Raw materials	\$ 6,864	\$ 7,554
Work in process	716	1,146
Finished goods	14,781	15,759
	-----	-----
	\$22,361	\$24,459
	-----	-----
	-----	-----

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)

(3) EARNINGS PER SHARE

Outstanding stock options are considered common stock equivalents and are included in the computation of primary earnings per share for the three-month periods ended March 31, 1997 and 1996.

As of March 31, 1997, the Company had a total of 2,495,759 options outstanding. The options were all granted at market prices, with a weighted average exercise price of \$12.81.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 128 effective for years beginning after December 15, 1996. This statement, which is expected to increase earnings per share when implemented, is not expected to have a material effect on the Company's consolidated financial statements.

(4) QUARTERLY CASH DIVIDENDS

The Company has declared 35 consecutive quarterly cash dividends. The most recent quarterly cash dividend of 3 1/3 cents per common share was declared May 1, 1997, to shareholders of record on May 13, 1997, payable May 26, 1997.

(5) TRANSLATION OF FOREIGN CURRENCY

The financial statements of the international subsidiaries have been translated to U.S. dollars in accordance with the provisions of SFAS No. 52.

As a result of its international operations, the Company is subject to foreign currency fluctuations which may impact current earnings.

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

SUMMARY

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

(Dollar Amounts in Thousands)
(Unaudited)

<TABLE>

(i)		(ii)			
Income and Expense Items as a Percent of Sales		Three Months Ended March 31			
-----		-----			
Three Months Ended March 31		1997 to 1996	1996 to 1995		
-----		-----	-----	-----	
1997	1996	Amount of Increase/ (Decrease)	Percent of Change	Percent of Change	
-----	-----	-----	-----	-----	
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100.00%	100.00%	Sales revenue	\$7,712	12.83%	27.73%
-----	-----	-----	-----	-----	-----
17.78	17.27	Cost of sales	1,676	16.14	12.51
46.30	46.41	Volume incentives	3,508	12.57	28.00
26.47	27.87	SG&A expenses	1,198	7.15	28.36
-----	-----	-----	-----	-----	-----
90.55	91.55		6,382	11.60	24.86
-----	-----	-----	-----	-----	-----
9.45	8.45	Operating income	1,330	26.18	70.07
-----	-----	-----	-----	-----	-----
0.67	1.24	Interest and other income	(288)	(38.77)	86.93
---	(0.05)	Interest expense	32	100.00	27.27
(0.25)	(0.35)	Foreign exchange loss	41	19.80	(62.99)
0.11	(0.01)	Minority interest	76	1,523.28	(102.21)
-----	-----	-----	-----	-----	-----
0.53	0.83		(139)	(28.06)	10.38
-----	-----	-----	-----	-----	-----
9.98	9.28	Income before income taxes	1,191	21.34	62.21
-----	-----	-----	-----	-----	-----
4.07	3.83	Provision for income taxes	457	19.79	61.57
-----	-----	-----	-----	-----	-----
5.91%	5.45%	Net income	\$ 734	22.37%	62.66%
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</TABLE>

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

RESULTS OF OPERATIONS

SALES REVENUE:

The Company reported record consolidated sales for the three months ended March 31, 1997. Sales revenue for the three months ended March 31, 1997, was \$67.8 million compared to \$60.1 million in the same period the prior year, an increase of 13 percent.

Management believes the increase in sales for the three-month period is attributable to the expansion of the Company's independent sales force, a continued increase of consumer awareness and interest in natural health and nutritional products and incentives the Company offers its independent sales force. In addition, the Company's sales revenue growth has been enhanced by its international expansion. The Company's international operations reported sales revenue of \$23.4 million for the three-month period in 1997, an increase of 18 percent compared to the same period in 1996.

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 was 13,946 at March 31, 1997, compared to 14,268 at March 31, 1996. The decrease in Managers was the result of a policy change in the Company's international operations during the fourth quarter of 1996. The number of domestic Managers increased 20 percent since December 31, 1996, and 8 percent over March 31, 1996. The number of Distributors at March 31, 1997, was 523,040 compared to 427,777 at March 31, 1996.

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COST OF GOODS SOLD:

The Company experienced a slight increase in cost of goods sold, as a percentage of sales, for the three months ended March 31, 1997, compared to the same period last year. The increase in cost of goods sold, as a percentage of sales, was primarily related to the Company's international operations. Additional shipping costs were incurred in the first quarter in order to maintain appropriate levels of inventory in selected markets. Management expects cost of goods sold to decrease slightly as a percent of sales during the rest of 1997 as the result of efficiencies in the Company's manufacturing operations.

VOLUME INCENTIVES:

The slight decrease in volume incentives, as a percent of sales, for the three months ended March 31, 1997, is directly related to the increase in international sales revenue. Volume incentives are an integral part of the Company's direct sales marketing program and are payments to independent sales force members for reaching certain levels of sales performance and organizational development. Volume incentives vary slightly, on a percentage basis, by product due to the Company's pricing policies.

Management expects volume incentives to decrease slightly, as a percent of sales, during the rest of 1997. The decrease is anticipated as the result of increasing sales from the Company's international operations, which have comparatively lower volume incentive payments.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

The Company experienced decreased selling, general and administrative expenses (SG&A), as a percent of sales, during the period ended March 31, 1997. The decrease, as a percent of sales, was the result of improved budgetary review and an effort by management to control costs.

Management expects SG&A to decrease, as a percent of sales, for the year ended December 31, 1997.

SUBSIDIARY OPERATIONS:

Segment information for the three months ended March 31, 1997, compared to the previous year are as follows:

SALES REVENUE	(Dollars in Thousands)	
	(Unaudited)	
	1997	1996
DOMESTIC SALES REVENUE	\$44,428	\$40,335
INTERNATIONAL SALES REVENUE:		
Americas	19,489	15,371
Asia Pacific	2,914	3,493
Other	994	914
TOTAL INTERNATIONAL	23,397	19,778
TOTAL SALES REVENUE	\$67,825	\$60,113

OPERATING INCOME	(Dollars in Thousands)	
	(Unaudited)	
	1997	1996
DOMESTIC OPERATING INCOME	\$ 4,935	\$ 3,340
INTERNATIONAL OPERATING INCOME:		
Americas	1,396	1,942
Asia Pacific	(17)	(183)
Other	96	(19)
TOTAL INTERNATIONAL	1,475	1,740
TOTAL OPERATING INCOME	\$ 6,410	\$ 5,080

ASSETS	(Dollars in Thousands)	
	(Unaudited)	
	March 31	December 31
	1997	1996
DOMESTIC ASSETS	\$57,611	\$58,674
INTERNATIONAL ASSETS:		
Americas	31,474	28,764

Asia Pacific	3,881	3,767
Other	588	791
	-----	-----
TOTAL INTERNATIONAL	35,943	33,322
	-----	-----
TOTAL ASSETS	\$93,554	\$91,996
	-----	-----
	-----	-----

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BALANCE SHEET

INVENTORIES

Inventories decreased approximately \$2.1 million during the three months ended March 31, 1997, as the result of a concerted effort to reduce inventory levels.

ACCRUED VOLUME INCENTIVES

Accrued volume incentives increased approximately \$2.3 million during the first three months of the year as a direct result of increased sales revenue.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased approximately \$3.1 million for the three months ended March 31, 1997. The increase in cash is primarily the result of the increased sales and income as well as increases in current liabilities.

Management believes the Company's stock is an attractive investment and, from time to time pursuant to its recently announced 500,000 share stock buyback program, may utilize a portion of its available cash to purchase up to the remaining balance of approximately 415,000 shares of its stock as market conditions warrant. During the first quarter of 1997, the Company acquired \$6.8 million, or approximately 413,000 shares, of treasury stock as part of the previous 500,000 share buyback program.

The Company is in the process of establishing a new international subsidiary. Management expects that this new operation may require initial capitalization of approximately \$1.5 million during the next twelve to eighteen months.

The Company is evaluating the need to expand its domestic manufacturing, inventory and other facilities. Management expects the cost of these projects to be in the range of \$6.0 million to \$12.0 million. The Company may consider long-term financing for these projects.

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The Company is a defendant in various lawsuits which are incidental to the Company's business. Management, after consultation with its legal counsel, believes that any liability as a result of these matters should not have a material effect upon the Company's results of operations or financial position.

Management believes that future working capital requirements can be satisfied by cash, which is generated by the Company's operating activities. Management expects cash and investments to increase during 1997, as the result of operations. However, cash and investments may be reduced in the event the Company proceeds with the capital projects mentioned above.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Company has included forward-looking statements concerning its business and operations in this Form 10-Q. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected.

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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: May 5, 1997

/s/ Kristine F. Hughes

Kristine F. Hughes, President &
Chief Executive Officer

Date: May 5, 1997

/s/ Douglas Faggioli

Douglas Faggioli, Chief
Financial Officer

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