



NATURE'S SUNSHINE

FOR IMMEDIATE RELEASE

NATURE'S SUNSHINE PRODUCTS REPORTS THIRD QUARTER FINANCIAL RESULTS AND DECLARES QUARTERLY CASH DIVIDEND

LEHI, Utah, November 2, 2012 – Nature's Sunshine Products, Inc. (NASDAQ:NATR), a leading natural health and wellness company engaged in the manufacture and direct selling of nutritional and personal care products, today reported its consolidated financial results for the third quarter ended September 30, 2012, and declared a quarterly cash dividend.

For the Third Quarter of 2012:

- Net sales were \$91.2 million, compared with \$91.1 million in the same quarter a year ago, an increase of 0.1 percent; however, net sales increased 2.1 percent in local currencies.
- As of September 30, 2012, active Managers worldwide were 28,700, an increase of 1.8 percent from September 30, 2011, while active Distributors and customers worldwide were 656,800, a decrease of 3.7 percent from the end of the quarter a year ago.
- Operating income was \$8.7 million, compared with an operating loss of \$5.1 million and pro forma operating income from continuing operations of \$9.6 million (excluding contract termination costs) in the same quarter a year ago, a decrease of 9.7 percent year over year.
- Adjusted EBITDA, defined here as net income before taxes, depreciation and amortization, and other income, and adjusted to exclude share-based compensation expense and contract termination costs, was \$10.4 million, compared with \$11.5 million in the same quarter a year ago, a decrease of 9.6 percent.
- Net income was \$6.4 million, compared with a net loss of \$2.3 million and pro forma net income of \$6.8 million (excluding contract termination costs) in the same quarter a year ago, a decrease of 6.3 percent year over year.
- Basic and diluted net income per share was \$0.41 and \$0.40, respectively, compared with basic and diluted net loss per share of \$0.14, for the same quarter a year ago.
- As of September 30, 2012, shareholders' equity was \$111.8 million, compared to \$87.4 million on December 31, 2011, an increase of 27.9 percent.

For the First Nine Months of 2012:

- Net sales were \$277.1 million, compared with \$275.8 million in the same period a year ago, an increase of 0.5 percent; however, net sales increased 2.0 percent in local currencies.
- Operating income was \$28.2 million, compared with \$10.6 million and pro forma operating income of \$25.3 million (excluding contract termination costs) in the same period a year ago, an increase of 11.3 percent year over year.
- Adjusted EBITDA, defined here as net income before taxes, depreciation and amortization, and other income, and adjusted to exclude share-based compensation expense and contract termination costs, was \$33.2 million, compared with \$30.4 million in the same period a year ago, an increase of 9.1 percent.
- Net income was \$20.9 million, compared with net income of \$10.0 million and pro forma net income of \$19.0 million (excluding contract termination costs) in the same period a year ago, an increase of 9.9 percent year over year.
- Basic and diluted net income per share was \$1.34 and \$1.31, respectively, compared with basic and diluted net income per share of \$0.64, for the same period a year ago.

NSP United States Segment Results for the Third Quarter:

- Net sales were \$33.7 million, compared with \$33.5 million in the same quarter a year ago, an increase of 0.5 percent. Net sales for NSP United States core products (herbal products, vitamin, mineral, and other nutritional supplements, and personal care products) increased by 1.0%, but were partially offset by the discontinuance of non-core products (other products including essential oils, sales aids and other miscellaneous products). Active Managers within NSP United States totaled approximately 5,300 and 5,600 at September 30, 2012 and 2011, respectively. Active Distributors and customers within NSP United States totaled approximately 191,500 and 210,300 at September 30, 2012 and 2011, respectively. Managers and Distributors within NSP United States are predominantly practitioners of nutritional supplement therapies and retailers or consumers of our products. The number of active Managers, Distributors and customers decreased due to lower retention, partially offset by a modest improvement in recruiting.
- Operating income was \$2.7 million, compared with \$2.3 million in the same quarter a year ago, an increase of 15.0 percent. The increase in operating income is primarily the result of the increase in net sales revenue as well as a decrease of professional fees expense partially offset by increases in cost of goods sold and other selling, general, and administrative expenses related to promotional incentive trips and employee compensation costs

NSP International Segment Results for the Third Quarter:

- Net sales were \$31.3 million, compared with \$33.1 million in the same quarter a year ago, a decrease of 5.4 percent. In local currencies, net sales decreased by 4.4 percent compared to the same quarter a year ago. Active Managers within NSP International totaled approximately 20,200 and 20,000 at September 30, 2012 and 2011, respectively. Active Distributors and customers within NSP International totaled approximately 376,200 and 387,000 at September 30, 2012 and 2011, respectively. Managers and Distributors within NSP International are predominantly practitioners of nutritional supplement therapies and retailers or consumers of our products, with the exception of our Russian markets, which are more network marketing oriented. The number of active Distributors and customers decreased in NSP International due to lower retention in a small number of markets, partially offset by a modest improvement in recruiting.
- Operating income was \$3.5 million, compared with an operating loss of \$10.1 million and pro forma operating income of \$4.6 million (excluding contract termination costs) in the same quarter a year ago, a decrease of 26.0 percent. This decrease was primarily the result of lower net sales in our Japan, Mexico and Peru markets.

Synergy WorldWide Segment Results for the Third Quarter:

- Synergy WorldWide, a wholly-owned subsidiary of Nature's Sunshine Product, Inc., reported net sales of \$26.3 million, compared with \$24.5 million in the same quarter a year ago, an increase of 7.1 percent. In local currencies, net sales increased 13.1 percent compared to the same quarter a year ago. Active Managers within Synergy Worldwide totaled approximately 3,200 and 2,600 at September 30, 2012 and 2011, respectively. Active Distributors and customers within Synergy Worldwide totaled approximately 89,100 and 85,000 at September 30, 2012 and 2011, respectively. Synergy Worldwide is more network-marketing oriented, and the increase in net sales was primarily due to strong recruiting and retention of Managers and Distributors in our Korean and European markets.
- Operating income was \$2.6 million, essentially unchanged from the same quarter in the prior year.

Effective Income-tax Rate

The effective income tax rate was 25.0 percent, compared with (42.2) percent in the same quarter a year ago. The current quarter's effective income tax rate was below the U.S. federal statutory tax rate of 35.0 percent, which was primarily attributed to a valuation allowance release related to the utilization of foreign tax credits, in addition to net favorable foreign items. The effective income tax rate of (42.2) percent for the same quarter a year ago was below the U.S. federal statutory tax rate of 35.0 percent, which was primarily attributed to contract termination costs, as well as net favorable foreign items.

Declaration of Quarterly Cash Dividend:

The Company's Board of Directors declared a regular quarterly cash dividend of \$0.05 per share, or \$0.20 per share on an annual basis, payable on November 26, 2012 to shareholders of record as of the close of business on November 15, 2012.

Non-GAAP Financial Measures

The Company has included information concerning adjusted EBITDA because management utilizes this information in the evaluation of its operations and believes that this measure is a useful indicator of the Company's ability to fund its business. Adjusted EBITDA has not been prepared in accordance with generally accepted accounting principles (GAAP). This non-GAAP financial measure should not be considered as an alternative to, or more meaningful than, net income as an indicator of the Company's operating performance. Moreover, this non-GAAP financial measure, as presented by the Company, may not be comparable to similarly titled measures reported by other companies. The Company has included a reconciliation of adjusted EBITDA to reported earnings under GAAP in the attached financial tables.

About Nature's Sunshine Products

Nature's Sunshine Products (NASDAQ:NATR), a leading natural health and wellness company, markets and distributes nutritional and personal care products through a global direct sales force of over 600,000 independent distributors in more than 40 countries. Nature's Sunshine manufactures its products through its own state-of-the-art facilities to ensure its products continue to set the standard for the highest quality, safety and efficacy on the market today. The Company has two reportable business segments that operate under the Nature's Sunshine Products brand and are divided based on their geographic operations in the United States (NSP United States) and in countries outside the United States (NSP International), as well as a third reportable business segment operates under the Synergy WorldWide brand. The Company also supports health and wellness for children around the world through its partnership with the Little Heroes Foundation. Additional information about the Company can be obtained at its website, www.natr.com.

Cautionary Statement Regarding Forward-Looking Statements

In addition to historical information, this release contains forward-looking statements. Nature's Sunshine may, from time to time, make written or oral forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements encompass Nature's Sunshine's beliefs, expectations, hopes, or intentions regarding future events. Words such as "expects," "intends," "believes," "anticipates," "should," "likely," and similar expressions identify forward-looking statements. All forward-looking statements included in this release are made as of the date hereof and are based on information available to the Company as of such date. Nature's Sunshine assumes no obligation to update any forward-looking statement. Actual results will vary, and may vary materially, from those anticipated, estimated, projected or expected for a number of reasons, including, among others: further reviews of the Company's financial statements by the Company and its Audit Committee; modification of the Company's accounting practices; foreign business risks; industry cyclicality; fluctuations in customer demand and order pattern; changes in pricing and general economic conditions; as well as other risks detailed in the Company's previous filings with the SEC.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)
(Unaudited)

	September 30, 2012	December 31, 2011
Assets		
Current Assets:		
Cash and cash equivalents	\$ 72,543	\$ 58,969
Accounts receivable, net of allowance for doubtful accounts of \$607 and \$647, respectively	10,003	9,868
Investments available for sale	2,192	5,677
Inventories	43,655	41,611
Deferred income tax assets	4,668	4,395
Prepaid expenses and other	5,946	4,583
Total current assets	139,007	125,103
Property, plant and equipment, net	27,975	25,137
Investment securities	1,317	1,429
Intangible assets	1,042	1,151
Deferred income tax assets	16,610	16,576
Other assets	6,617	6,415
	\$ 192,568	\$ 175,811
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 5,710	\$ 5,980
Accrued volume incentives	19,802	19,326
Accrued liabilities	27,224	27,938
Deferred revenue	3,005	2,603
Current installments of long-term debt	3,334	3,296
Income taxes payable	4,468	8,655
Total current liabilities	63,543	67,798
Liability related to unrecognized tax benefits	9,772	10,426
Long-term debt	3,392	5,894
Deferred compensation payable	1,317	1,429
Other liabilities	2,696	2,826
Total long-term liabilities	17,177	20,575
Shareholders' Equity:		
Common stock, no par value; 50,000 shares authorized, 15,761 and 15,569 issued and outstanding as of September 30, 2012 and December 31, 2011	75,612	71,628
Retained earnings	45,203	25,879
Accumulated other comprehensive loss	(8,967)	(10,069)
Total shareholders' equity	111,848	87,438
	\$ 192,568	\$ 175,811

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share information)
(Unaudited)

	Three Months Ended September 30,	
	2012	2011
Net sales revenue (net of the rebate portion of volume incentives of \$10,460 and \$10,877, respectively).....	\$ 91,232	\$ 91,102
Cost and expenses:		
Cost of goods sold.....	17,713	16,879
Volume incentives.....	33,155	32,733
Selling, general and administrative	31,659	31,845
Contract termination costs.....	—	14,750
	82,527	96,207
Operating income (loss).....	8,705	(5,105)
Other income, net.....	(214)	1,204
	8,491	(3,901)
Income (loss) before provision for income taxes.....	8,491	(3,901)
Provision (benefit) for income taxes.....	2,121	(1,645)
Net income (loss).....	\$ 6,370	\$ (2,256)
Basic and diluted net income per common share		
Basic:		
Net income (loss) per common share.....	\$ 0.41	\$ (0.14)
Diluted:		
Net income (loss) per common share.....	\$ 0.40	\$ (0.14)
Weighted average basic common shares outstanding.....	15,628	15,562
Weighted average diluted common shares outstanding.....	15,971	15,562
Dividends declared per common share	\$ 0.05	\$ —

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share information)
(Unaudited)

	Nine Months Ended	
	September 30,	
	2012	2011
Net sales revenue (net of the rebate portion of volume incentives of \$32,746 and \$33,815, respectively).....	\$ 277,091	\$ 275,757
Cost and expenses:		
Cost of goods sold	53,159	52,560
Volume incentives	100,276	100,421
Selling, general and administrative	95,466	97,458
Contract termination costs	—	14,750
	<u>248,901</u>	<u>265,189</u>
Operating income	28,190	10,568
Other income, net.....	(159)	1,049
	<u>28,031</u>	<u>11,617</u>
Income before provision for income taxes.....	28,031	11,617
Provision for income taxes.....	7,147	1,637
Net income	<u>\$ 20,884</u>	<u>\$ 9,980</u>
 Basic and diluted net income per common share		
Basic:		
Net income per common share	<u>\$ 1.34</u>	<u>\$ 0.64</u>
Diluted:		
Net income per common share	<u>\$ 1.31</u>	<u>\$ 0.64</u>
 Weighted average basic common shares outstanding	 <u>15,603</u>	 <u>15,544</u>
Weighted average diluted common shares outstanding	<u>15,917</u>	<u>15,674</u>
 Dividends declared per common share	 <u>\$ 0.10</u>	 <u>\$ —</u>

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 20,884	\$ 9,980
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	39	(101)
Depreciation and amortization	3,028	3,204
Share-based compensation expense	2,001	1,917
Loss on sale of property and equipment.....	23	14
Deferred income taxes.....	(307)	(4,419)
Amortization of bond discount.....	3	13
Purchase of trading investment securities	(60)	(59)
Proceeds from sale of trading investment securities	268	338
Realized and unrealized gains (losses) on investments	(63)	25
Foreign exchange losses.....	856	106
Changes in assets and liabilities:		
Accounts receivable	(429)	(5,691)
Inventories.....	(1,926)	(2,313)
Prepaid expenses and other current assets.....	(1,021)	607
Other assets	(148)	(2,155)
Accounts payable	(361)	428
Accrued volume incentives	386	1,224
Accrued liabilities	(1,264)	(4,554)
Deferred revenue	403	(343)
Income taxes payable	(4,222)	848
Liability related to unrecognized tax benefits	(654)	(2,834)
Deferred compensation payable	(112)	(355)
Net cash provided by (used in) operating activities.....	17,324	(4,120)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(5,617)	(1,117)
Proceeds from sale of property, plant, and equipment.....	25	—
Proceeds from sale of investments available for sale.....	3,689	5,650
Purchase of investments available for sale.....	(197)	(3,867)
Net cash provided by (used in) investing activities	(2,100)	666
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of long-term debt	—	10,000
Principal payments of long-term debt	(2,465)	—
Dividends paid	(1,560)	—
Proceeds from the exercise of stock options	1,982	372
Net cash provided by (used in) financing activities.....	(2,043)	10,372
Effect of exchange rates on cash and cash equivalents.....	393	(419)
Net increase in cash and cash equivalents	13,574	6,499
Cash and cash equivalents at the beginning of the period	58,969	47,604
Cash and cash equivalents at end of the period	\$ 72,543	\$ 54,103

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA
(Amounts in thousands)
(Unaudited)

	Three Months Ended September 30,	
	2012	2011
Net income (loss)	\$ 6,370	\$ (2,256)
Adjustments:		
Depreciation and amortization	1,013	1,087
Share-based compensation expense	680	773
Contract termination costs	—	14,750
Other (income) expense, net*	214	(1,204)
Taxes	2,121	(1,645)
Adjusted EBITDA	<u>\$ 10,398</u>	<u>\$ 11,505</u>

	Nine Months Ended September 30,	
	2012	2011
Net income	\$ 20,884	\$ 9,980
Adjustments:		
Depreciation and amortization	3,028	3,204
Share-based compensation expense	2,001	1,917
Contract termination costs	—	14,750
Other (income) expense, net*	159	(1,049)
Taxes	7,147	1,637
Adjusted EBITDA	<u>\$ 33,219</u>	<u>\$ 30,439</u>

* Other income (expense), net is primarily comprised of foreign exchange gains (losses), interest income, and interest expense.

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