

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

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

For the Quarter Ended March 31, 1998

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 0-25238

NATURAL HEALTH TRENDS CORP.

(Exact name of Small Business Issuer as specified in its charter)

Florida 59-2705336  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

2001 West Sample Road, Suite 318  
Pompano Beach, FL 33064

(Address of Principal Executive Offices)

(954) 969-9771

(Issuer's telephone number)

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

Yes  No

The number of shares outstanding of the issuer's Common Stock, \$.001  
par value, as of March 31, 1998 was 38,380,427 shares.

<TABLE>  
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Signature	11
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## NATURAL HEALTH TRENDS CORP.

## CONSOLIDATED BALANCE SHEET

March 31, 1998

(UNAUDITED)

&lt;S&gt;

&lt;C&gt;

## ASSETS

## CURRENT ASSETS:

Cash	\$	318,089	
Restricted cash		250,000	
Accounts receivable		1,856,328	
Inventories		772,224	
Due from officers		-	
Due from affiliate		-	
Prepaid expenses and other current assets			113,479
			-----
TOTAL CURRENT ASSETS			3,310,120
			-----

PROPERTY, PLANT AND EQUIPMENT			3,473,827
PATENTS AND CUSTOMER LISTS			4,969,991
GOODWILL		1,203,533	
DEPOSITS AND OTHER ASSETS			233,788
			-----
	\$	13,191,259	
			=====

## LIABILITIES AND STOCKHOLDERS' EQUITY

## CURRENT LIABILITIES:

Accounts payable	\$	1,939,943	
Accrued expenses		485,080	
Revolving credit line		128,035	
Accrued Expenses for Discontinued Operations			337,160
Current portion of long term debt		1,974,444	
Deferred revenue		1,263,584	
Current portion of accrued consulting contract			360,131
Other current liabilities		428,893	
			-----
TOTAL CURRENT LIABILITIES			6,917,269
			-----

LONG-TERM DEBT	2,238,522
----------------	-----------

DEBENTURES PAYABLE	-	
ACCRUED CONSULTING CONTRACT	-	
ACCRUED EXPENSES DISCONTINUED OPERATIONS	-	
COMMON STOCK SUBJECT TO PUT		380,000
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.001 par value, 1,500,000 shares authorized; no shares issued and outstanding	2,162,202	
Common stock, \$.001 par value; 40,000,000 shares authorized; 38,380,427 shares issued and outstanding at March 31, 1998		38,380
Additional paid-in capital	12,092,384	
Retained earnings (accumulated deficit)	(10,257,499)	
Common stock subject to put	(380,000)	
Prepaid stock compensation	-	
TOTAL STOCKHOLDERS' EQUITY		3,655,468
	\$ 13,191,259	

See notes to consolidated financial statements.

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NATURAL HEALTH TRENDS CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Quarter End March 31,	
	1998	1997
<S>	<C>	<C>
REVENUES	\$ 2,062,885	\$ 1,443,234
COST OF SALES	861,703	652,843
GROSS PROFIT	1,201,182	790,391
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,655,740	737,205
NON-CASH IMPUTED COMPENSATION EXPENSE	-	-
LITIGATION SETTLEMENT	-	111,517
OPERATING INCOME (LOSS)	(454,558)	(58,331)
OTHER INCOME (EXPENSE):		
Interest (net)	(110,507)	(61,949)
Other	-	-
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX	(565,065)	(120,280)
PROVISION FOR INCOME TAX	-	-
INCOME (LOSS) FROM CONTINUED OPERATIONS	(565,065)	(120,280)

DICONTINUED OPERATIONS:

Income (Loss) From Discontinued Operations	-	(589,578)	
(Loss) On Disposal	-	32,519	
	-----	-----	
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	(557,060)	
	-----	-----	
INCOME (LOSS) BEFORE EXTRAORDINARY GAIN		(565,065)	(677,340)
EXTRAORDINARY GAIN FROM FORGIVENESS OF DEBT		1,361,143	-
	-----	-----	
NET INCOME (LOSS)	\$	796,078	\$ (677,340)
	=====	=====	

INCOME (LOSS) PER COMMON SHARE:

Continued Operations	(0.63)	(0.39)
Discontinued Operations	-	(1.79)
Extraordinary Gain	1.52	-
Net Income (loss)	0.89	(2.18)

WEIGHTED AVERAGE COMMON SHARES USED 892,386 311,558

See notes to consolidated financial statements.

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</TABLE>  
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NATURAL HEALTH TRENDS CORP.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Three Months Ended March 31,	
	1998	1997
	-----	-----
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 796,078	\$ (677,340)
	-----	-----
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	188,424	82,912
Non-cash imputed compensation expense	-	25,000
Loss on disposal of fixed assets, net	-	-
Interest settled by issuance of stock	8,858	-
Write-off of clinic goodwill	-	-
Amortization of Note Payable Discount	-	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	123,620	(239,706)
(Increase) decrease in inventories	254,774	(26,117)
(Increase) decrease in prepaid expenses	71,097	(35,364)
(Increase) decrease in Property and Equipment	29,745	-
(Increase) decrease in due from affiliate	-	-
(Increase) decrease in deposits and other assets	220,342	3,392
Increase (decrease) in accounts payable	(1,086,493)	(20,430)
Increase (decrease) in accrued expenses	(772,272)	71,375
Increase (decrease) in deferred revenue	173,937	109,115
Increase(decrease) in deposits	-	-
Increase(decrease) in Accrued Interest	57,466	-
Increase (decrease) in other current liabilities	103,778	(68,196)
Increase (decrease) in accrued expenses for disc. operations	(18,903)	-
Increase (decrease) in accrued consulting contract	-	497,246
	-----	-----
TOTAL ADJUSTMENTS	(645,628)	399,227
	-----	-----

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		150,450	(278,113)
-----			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(27,151)	(78,028)	
Disposition of Discontinued Operations	(19,633)	-	
Loan to Global Health Alternatives, Inc.	-	-	
-----			
NET CASH USED IN INVESTING ACTIVITIES		(46,784)	(78,028)
-----			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in due from officer	-	(2,481)	
Increase in due to related parties	-	-	
Decrease in restricted cash	-	8,932	
Proceeds from preferred stock	261,000	-	
Proceeds from sale of debentures	-	326,826	
Payment of debentures	-	-	
Loan origination costs preferred stock	-	-	
Proceeds from notes payable and long-term debt		34,666	255,000
Payments of notes payable and long-term debt		(186,027)	(530,024)
-----			
NET CASH PROVIDED BY FINANCING ACTIVITIES		109,639	58,253
-----			
NET INCREASE (DECREASE) IN CASH		213,305	(297,888)
CASH, BEGINNING OF PERIOD		104,784	517,323
-----			
CASH, END OF PERIOD	\$	318,089	\$ 219,435
		=====	=====

See notes to consolidated financial statements.

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NATURAL HEALTH TRENDS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 1998

(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying financial statements are unaudited, but reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of financial position and the results of operations for the interim periods presented. All such adjustments are of a normal and recurring nature. The results of operations for any interim period are not necessarily indicative of the results attainable for a full fiscal year.

2. EARNINGS (LOSS) PER SHARE

Per share information is computed based on the weighted average number of shares outstanding during the period.

3. GAIN ON FORGIVENESS OF DEBT

During the quarter ended March 31, 1998, the Company realized a \$1.3 million gain on the work-out of various debt and payables of Global Health Alternatives, Inc.

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 and notes contained in Item 1 hereof.

Forward-Looking Statements

When used in Form 10-QSB and in future filings by the Company with the Securities and Exchange Commission, the words "will likely result", and "the Company expects", "will continue", "is anticipated", "estimated", "project", or "outlook" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Act of 1995. The Company wishes to caution readers not to place undue reliance on such forward-looking statements, each of which speak only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company has no obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

Result of Operations

THREE MONTHS ENDED MARCH 31, 1998 AND 1997

Revenues:

Total revenues were \$2,062,885 for the three months ended March 31, 1998 compared to \$1,443,234 for the three months ended March 31, 1997. This represents an increase of \$618,651 or 42.9%.

Product sales by Global Health Alternatives, Inc. ("GHA") of \$429,884 accounted for the primary portion of the increase. The increase is also attributable to increased tuition revenue of \$76,190 due to increased enrollment primarily at the Orlando school. Bookstore revenue also increased by \$86,775 compared to the same period last year, again due primarily to the increased enrollment as well as expansion of the Miami and Orlando bookstores.

Cost of sales:

Cost of sales for the three months ended March 31, 1998 was \$861,703 compared to \$788,843 for the comparable period last year. Gross profit as a percentage of revenues was 58.2% compared with 54.8% for the three months ended March 31, 1997. Product sales' gross profit was 73.9% for the quarter as the Company incurred no royalty expense during the quarter due to a restructuring agreement with the previous holder of the patented base of its Natural relief 1222 product. The schools' gross profit was 54.1% compared to 54.8% in the prior quarter.

Selling, General and Administrative Expenses:

Selling, general and administrative expenses were \$1,655,740 for the three months ended March 31, 1998. This represents an increase of \$918,535 over the three months ended March 31, 1997. The operations of GHA accounted for \$781,177 of this increase. The remaining increase was primarily attributable to the move into a new location for the Orlando school, which resulted in higher rent expense.

Litigation settlement:

The litigation settlement resulted from the settlement of the litigation brought by the landlord in connection with the property leased by the Company in Lauderhill, Florida (the former Pompano Campus) whose lease expired in July 1997.

## Interest Expense

These costs for the three months ended March 31, 1998 were \$110,507 as compared to \$61,949 for the comparable period of 1997. The increase was due to the interest expense of GHA of \$62,573 associated with borrowing necessary to fund the marketing effort of GHA's products.

## Income(Loss) from Continuing Operations

For the three months ended March 31, 1998, the loss from continuing operations was \$565,065 compared to a loss from continuing operations of \$120,280 for the three months ended March 31, 1997. The increase in the loss is attributable to the impact of the individual elements discussed above.

## Discontinued Operations

In October 1997, the Company closed its medical clinic located in Boca Raton, Florida. In February 1998, the Company sold its remaining medical clinic in Pompano Beach, Florida. All anticipated losses on the discontinued operations were reflected in the fiscal year ended December 31, 1997.

## Gain on Forgiveness of Debt

During the quarter ended March 31, 1998, the Company realized a \$1.3 million gain on the work-out of various debt and payables of GHA.

## Net Income (Loss)

For the three months ended March 31, 1998, the net profit was \$796,078 compared to a net loss of \$677,340 for the three months ended March 31, 1997. The increase in the profit is attributable

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to the impact of the individual elements discussed above.

## Liquidity and Capital Resources

The Company has funded its working capital and capital expenditure requirements from cash provided through borrowing from institutions and from the sale of the Company's securities in private placements and the initial public offering of its securities. The Company's primary source of cash receipts is from the payments for tuition, fees, and books. These payments were funded primarily from students and parent educational loans and financial aid under various federal and state assistance programs and, to a lesser extent, from student and parent resources. The Company's secondary source of cash receipts has been from the sale of GHA's products.

In February 1998, the company issued \$300,000 face amount of convertible preferred stock, net of expenses of \$113,658.

In April 1998 the Company issued \$4,000,000 face amount of Series C convertible preferred stock, net of expenses of \$581,035. The preferred stock pays a dividend of 12% per annum and is convertible into common at 75% of the common's market value, commencing 41 days after issuance. From the proceeds raised, the Company retired \$2,500,000 of Series A preferred stock outstanding.

At March 31, 1998 the ratio of current assets to current liabilities was .48 to 1.0. There was a working capital deficit of approximately \$3,607,000.

Cash provided by operations for the period ended March 31, 1998 was approximately \$150,450, attributable primarily to the net profit of \$796,078 adjusted for non-cash expenses and changes in operating assets and liabilities aggregating \$645,628. Capital expenditures used approximately \$27,151 of cash.

The Company also anticipates utilizing the proceeds from the anticipated sale of the Schools to provide financing, although there can be no assurance thereof. The Company anticipates that further additional financing will be required to finance the Company's continued operations during the next twelve months, principally to fund the continued development and growth of GHA's product sales. Management is currently seeking at least \$4.0 million in additional capital to

continue to pursue GHA's business plan of national advertising in support of national retail distribution. There can be no assurance that the Company will be able to secure such additional debt or equity financing. Failure to obtain additional financing of at least \$2.5 million within the next 12 months will require reductions in operating expenses, and may have a material impact on the ability of the Company to increase GHA's sales and to continue operations. If the Company obtains additional financing of at least \$2.5 million for the next twelve months, of which there can be no assurance, the Company believes that its net cash flow, together with available lines of credit may be sufficient to finance the Company's operations for the period of at least 12 months thereafter.

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## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

The Company has not become subject to any material legal proceedings in the quarter ended March 31, 1998.

### Item 2. Changes in Securities and Use of Proceeds

The Company issued \$300,000 of convertible preferred stock in February 1998 and \$4,000,000 in April 1998 which is ranked senior to the Common Stock with respect to dividends and liquidation.

### Item 3. Defaults upon Senior Securities

None

### Item 4. Submission of Matters to Vote of Security Holders

At a special meeting of the stockholders on March 23, 1998, the stockholders of the Company increased the number of authorized shares of Common Stock from 40,000,000 to 200,000,000 shares. Of the 16,669,709 shares of Common Stock voted, 15,893,389 voted in favor, 714,201 voted against and 62,119 abstained. On April 6, 1998, the Company effected a one for 40 reverse stock split.

### Item 5. Other Information

On April 29, 1998, the Company entered into an agreement with Neal R. Heller, Elizabeth S. Heller and Florida College of Natural Health, Inc. to sell the Company's three schools for a cash purchase price of \$1,800,000 plus certain additional consideration.

### Item 6. Exhibits and Reports on Form 8-K

#### (a) Exhibits

Please see Exhibit Index on page 9.

#### (b) Reports on Form 8-K

The Company filed current reports on Form 8-K on January 8, 1998, February 19, 1998, March 4, 1998 and April 21, 1998.

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<TABLE>  
<CAPTION>

## NATURAL HEALTH TRENDS CORP. EXHIBIT INDEX

<S>      <C>  
Number      Description of Exhibit

2.1      Assets Purchase Agreement dated April 29, 1998 by and among Natural Health Trends corp., Neal R. Heller &



	Elizabeth S. Heller and Florida College of Natural Health, Inc.#
3.1	Amended and Restated Certificate of Incorporation of the Company.*
3.2	Amended and Restated By-Laws of the Company.*
4.1	Specimen Certificate of the Company's Common Stock.*
4.2	Form of Class A Warrant.*
4.3	Form of Class B Warrant.*
4.4	Form of Warrant Agreement between the Company and Continental Stock Transfer & Trust Company.*
4.5	Form of Underwriter's Warrants.*
4.6	1994 Stock Option Plan.*
4.7	Form of Debenture.**
4.8	Registration Rights Agreement dated July 23, 1997 by and among the Company, Global and the Global stockholders.+
4.9	Agreement as to Transfers dated July 23, 1997 by and between Capital Development, S.A. and the Company.+
4.10	Articles of Amendment of Articles of Incorporation of the Company.***
4.11	Form of Debenture.**
4.12	Florida Statutes Sections 607.1301, 607.1302, 607.1320 Regarding Appraisal Rights.#
10.1	Form of Employment Agreement between the Company and Neal R. Heller.*
10.2	Form of Employment Agreement between the Company and Elizabeth S. Heller.*
10.3	Lease, dated April 29, 1993, between Florida Institute of Massage Therapy, Inc., as tenant, and MICC Venture, as landlord, as amended.*
10.4	Agreement among Natural Health Trends Corp. Health Wellness Nationwide Corp., Samantha Haines and Leonard Haines.++
10.13	Agreement among Natural Health Trends Corp. Health Wellness Nationwide Corp., Samantha Haines and Leonard Haines.
10.14	Employment Agreement between Health Wellness Nationwide Corp. and Kaye Lenzi.
10.15	Mortgage note in the amount of \$2,250,000 dated October 30, 1997 between NHTC Real Estate, Inc. as maker and BANC One Mortgage Capital Marker, LLC as payee.
27.1	Financial Data Schedule.

</TABLE>

\* Previously filed with the Company's Registration Statement No. 33-991184

\*\* Previously filed with the Company's Form 10-10QSB for the quarter ended March 31, 1997

\*\*\* Previously filed with the Company's Form 10-QSB dated June 30, 1997

+ Previously filed with the Company's Form 8-K dated August 7, 1997

++ Previously filed with the Company's Form 10-KSB for the year ended December 31, 1996

+++ Previously filed with this Registration Statement No. 333-35935

# Previously filed with the Company's Proxy Statement on Schedule 14A, dated May 14, 1998

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## 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.

NATURAL HEALTH TRENDS CORP.

By: /s/ Neal Heller  
Neal Heller  
President

Date: May 19, 1998



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