

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

[ X ] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 1997

OR

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

Commission file number 0-15701

NATURAL ALTERNATIVES INTERNATIONAL, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
-----  
(State of other jurisdiction of  
incorporation or organization)

84-1007839  
-----  
(I.R.S. Employer  
Identification No.)

1185 LINDA VISTA DRIVE, SAN MARCOS, CALIFORNIA 92069  
(Address of principal executive offices)  
(Zip Code)

(760) 744-7340  
(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 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 X No  
-----

5,483,764

(Number of shares of common stock of the registrant outstanding as of January 31, 1998)

NATURAL ALTERNATIVES INTERNATIONAL, INC.  
PART I - FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31 1997 ----- (unaudited)	June 30 1997 -----
Current Assets:		
Cash and cash equivalents	\$ 3,285,292	\$ 3,469,739
Accounts receivable - less allowance for doubtful accounts of \$1,185,000 at December 31, 1997 and \$1,006,000 at June 30, 1997	6,778,760	6,990,121
Inventories	8,185,634	5,690,850
Tax refund receivable	--	842,209
Notes receivable - current portion	220,442	235,613
Prepaid expenses	698,422	404,899
Deferred income taxes	851,000	851,000
Deposits	78,343	322,269
Other current assets	27,587	51,279
	-----	-----
Total Current Assets	20,125,480	18,857,979
	-----	-----
Property and equipment, net	9,261,122	8,259,705
	-----	-----
Other Assets:		
Investments	58,862	58,862
Notes receivable, less current portion	248,360	261,697
Other noncurrent assets, net	345,442	290,932
	-----	-----
Total Other Assets	652,664	611,491
	-----	-----
TOTAL ASSETS	\$30,039,266 =====	\$27,729,175 =====

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NATURAL ALTERNATIVES INTERNATIONAL, INC.  
PART I - FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31 1997 ----- (unaudited)	June 30 1997 -----
Current Liabilities:		
Accounts payable	\$ 7,369,433	\$ 6,907,998
Current installments of long-term debt	44,819	164,266
Current installments of capital lease obligations	26,863	25,189
Accrued compensation and employee benefits	185,066	321,337
	-----	-----
Total Current Liabilities	7,626,181	7,418,790
Deferred income taxes	487,000	487,000
Long-term debt, less current installments	1,000,905	1,100,285

Capital lease obligations, less current installments	9,750	23,613
	-----	-----
Total Liabilities	9,123,836	9,029,688
	-----	-----
Stockholders' Equity:		
Preferred stock; \$.01 par value; 500,000 shares authorized; none issued or outstanding	--	--
Common stock; \$.01 par value; 8,000,000 shares authorized; issued and outstanding 5,465,764 at December 31, 1997 and 5,429,764 at June 30, 1997	54,658	54,298
Additional paid-in capital	6,929,566	6,675,426
Retained earnings	13,982,456	12,021,013
Net unrealized losses on investments	(51,250)	(51,250)
	-----	-----
Total Stockholders' Equity	20,915,430	18,699,487
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 30,039,266	\$ 27,729,175
	=====	=====

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NATURAL ALTERNATIVES INTERNATIONAL, INC.  
PART I - FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF EARNINGS  
(Unaudited)

	For the Six Months Ended December 31		For the Three Months Ended December 31	
	1997	1996	1997	1996
	-----	-----	-----	-----
Net sales	\$ 28,329,917	\$ 24,067,255	\$ 16,297,341	\$ 12,630,234
Cost of goods sold	20,726,002	17,590,661	11,854,780	9,414,280
	-----	-----	-----	-----
GROSS PROFIT	7,603,915	6,476,594	4,442,561	3,215,954
Selling, general & administrative expenses	4,391,977	3,571,529	2,185,333	1,823,613
	-----	-----	-----	-----
INCOME FROM OPERATIONS	3,211,938	2,905,065	2,257,228	1,392,341
	-----	-----	-----	-----
Other income (expense):				
Interest income	91,068	84,551	55,268	37,860
Interest expense	(58,386)	(77,102)	(28,296)	(34,560)
Other, net	(52,177)	(8,849)	(52,177)	(10,349)
	-----	-----	-----	-----
	(19,495)	(1,400)	(25,205)	(7,049)
	-----	-----	-----	-----
EARNINGS BEFORE INCOME TAXES	3,192,443	2,903,665	2,232,023	1,385,292
Income taxes	1,231,000	1,154,000	869,000	536,000
	-----	-----	-----	-----
NET EARNINGS	\$ 1,961,443	\$ 1,749,665	\$ 1,363,023	\$ 849,292

NET EARNINGS PER COMMON SHARE:

	=====	=====	=====	=====
Basic	\$ 0.36	\$ 0.33	\$ 0.25	\$ 0.16
	=====	=====	=====	=====
Diluted	\$ 0.35	\$ 0.31	\$ 0.24	\$ 0.15
	=====	=====	=====	=====

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NATURAL ALTERNATIVES INTERNATIONAL, INC.  
PART I - FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY  
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Net Unrealized Gains (Losses) on Investments	Total
	Shares	Amount				
Balance at June 30, 1997	5,429,764	\$54,298	\$6,675,426	\$12,021,013	\$ (51,250)	\$18,699,487
Issuance of common stock upon exercise of employee stock options	36,000	360	202,640	--	--	203,000
Income tax benefit from stock options	--	--	51,500	--	--	51,500
Net earnings	--	--	--	1,961,443	--	1,961,443
Balance at December 31, 1997	5,465,764	\$54,658	\$6,929,566	\$13,982,456	\$ (51,250)	\$ 20,915,430

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NATURAL ALTERNATIVES INTERNATIONAL, INC.  
PART I - FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)

	For the Six Months Ended December 31	
	1997	1996
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 1,961,443	\$ 1,749,665
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Bad debt expense	180,000	126,621
Tax benefit on option exercise	51,500	60,800
Depreciation and amortization	721,536	615,323
Deferred income taxes	--	(95,000)
(Gain) Loss on disposal of assets	52,177	(9,099)
Other	(14,206)	(14,006)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	31,361	(64,954)
Inventories	(2,494,784)	(524,931)
Prepaid expenses	(293,523)	66,714
Deposits	243,926	(175,651)
Tax refund receivable	842,209	--
Prepaid income taxes	(51,845)	(159,601)
Other assets	21,029	(18,263)
(Decrease) increase in:		
Accounts payable	461,435	1,246,073
Accrued compensation and employee benefits	(136,271)	47,238
Income taxes payable	--	(520,246)
	-----	-----
Net Cash Provided by Operating Activities	1,575,987	2,330,683
	-----	-----

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NATURAL ALTERNATIVES INTERNATIONAL, INC.  
PART I - FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)  
(Unaudited)

	1997	1996
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	\$ 65,000	\$ --
Investment in affiliated company	--	(200,000)
Capital expenditures	(1,840,129)	(1,012,823)
Issuance of notes receivable	(4,625)	(72,184)
Repayment of notes receivable	47,337	30,368
Other	--	(2,027)
	-----	-----
Net Cash Used in Investing Activities	(1,732,417)	(1,256,666)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt and capital leases	(231,017)	(113,754)
Issuance of common stock	203,000	191,825
Borrowings on line of credit	--	443,959
	-----	-----

Net Cash Provided by (Used in) Financing Activities	(28,017)	522,030
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	(184,447)	1,596,047
Cash and Cash Equivalents at Beginning of Period	3,469,739	1,887,427
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 3,285,292	\$ 3,483,474
	=====	=====

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NATURAL ALTERNATIVES INTERNATIONAL, INC.  
PART I - FINANCIAL INFORMATION

NOTES TO CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of a normal recurring nature considered necessary for a fair presentation, have been included. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended June 30, 1997. The results of operations for the periods ended December 31, 1997 and 1996 are not necessarily indicative of the operating results for the full year.

Certain amounts in prior period financial statements have been reclassified to conform to the current period financial statements.

NOTE 2 - PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Millennium Health International, Inc. (formerly Pro-Lean, Inc. and prior to that Sonergy, Inc.), CellLife International, Inc. and CellLife Pharmaceuticals International, Inc. all of which had been administered and operated out of the Company's facilities. During fiscal 1997, the assets and liabilities of each of the subsidiaries were transferred to the Company and the Company assumed their operations. All significant intercompany accounts and transactions for the three months and six months ended December 31, 1996 have been eliminated.

NOTE 3 - INVENTORIES

Inventories are comprised of:

	December 31 1997	June 30 1997
	-----	-----
Raw materials	\$3,104,811	\$2,747,451

Work in progress	4,357,352	2,598,430
Finished goods	723,471	344,969
	-----	-----
	\$8,185,634	\$5,690,850
	=====	=====

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NATURAL ALTERNATIVES INTERNATIONAL, INC.  
PART I - FINANCIAL INFORMATION

NOTES TO CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - NET EARNINGS PER SHARE

Pursuant to Statement of Financial Accounting Standards No. 128 ("SFAS No. 128"), financial statements for periods ending after December 15, 1997 must reflect basic earnings per share and diluted earnings per share as defined. Accordingly, basic earnings per share has been computed based upon the weighted average number of shares outstanding during the period and diluted earnings per share has been computed based upon the weighted average number of shares outstanding during the period plus the dilutive effects of common shares contingently issuable from stock options. Prior period amounts have been restated to conform to SFAS No. 128. Common stock options are excluded from the computation of net earnings per share if their effect is anti-dilutive.

Basic and diluted earnings per share have been calculated as follows:

	For the three months ended December 31, 1997			For the six months ended December 31, 1997		
	Earnings (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount	Earnings (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount
BASIC EARNINGS PER SHARE						
Net earnings	\$1,363,023	5,442,644	\$ 0.25	\$1,961,443	5,438,780	\$ 0.36
EFFECT OF DILUTIVE SECURITIES						
Stock options		239,781			229,374	
DILUTED EARNINGS PER SHARE						
Net earnings available to common stockholders plus assumed						
conversions	\$1,363,023	5,682,425	\$ 0.24	\$1,961,443	5,668,154	\$ 0.35

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NOTES TO CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - NET EARNINGS PER SHARE (continued)

	For the three months ended December 31, 1996			For the six months ended December 31, 1996		
	Earnings (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount	Earnings (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount
BASIC EARNINGS PER SHARE						
Net earnings	\$ 849,292	5,388,071	\$ 0.16	\$1,749,665	5,381,217	\$0.33
EFFECT OF DILUTIVE SECURITIES						
Stock options		238,443			260,375	
DILUTED EARNINGS PER SHARE						
Net earnings available to common stockholders plus assumed conversions	\$ 849,292	5,626,514	\$ 0.15	\$1,749,665	5,641,592	\$0.31

NOTE 5 - STOCKHOLDERS' EQUITY

Effective June 5, 1992, the Company adopted the 1992 Incentive Stock Option Plan for which 500,000 common shares have been reserved for issuance to officers, directors, and key employees of the Company. The plan provides that no option may be granted at an exercise price less than the fair market value of the common stock of the Company on the date of grant. On September 9, 1993, 200,000 options were granted at the fair market value price of \$4.875 per share.

Also effective June 5, 1992, the Company adopted the 1992 Nonqualified Stock Option Plan and reserved a total of 250,000 common shares for issuance to officers, employees, and consultants of the Company. On September 9, 1993, 250,000 options were granted at the fair market value price of \$4.875 per share.

Effective December 9, 1994, the Board of Directors approved the 1994 Nonqualified Stock Option Plan for which 500,000 common shares were reserved for issuance to officers, employees, and consultants of the Company. On January 24, 1995, 500,000 options were granted at the fair market value price of \$4.625 per share.

All stock options under each of the plans have five-year terms and all options became fully vested one year after their grant date.



NOTE 5 - STOCKHOLDERS' EQUITY (continued)

Stock option activity during the periods indicated is summarized below:

	1992 Incentive Plan -----	1992 Nonqualified Plan -----	1994 Nonqualified Plan -----
Outstanding and exercisable at June 30, 1997	96,169	220,942	451,500
Exercised	13,445	12,555	10,000
Outstanding and exercisable at December 31, 1997	82,724 -----	208,387 -----	441,500 -----
Weighted-average exercise price, June 30, 1997 and December 31, 1997	\$ 4.875	\$ 4.875	\$ 4.625
Weighted-average remaining contractual life	One Year	One Year	Three Years
Available for grant at December 31, 1997	300,000 -----	-- -----	-- -----

Effective January 24, 1995, 100,000 options were granted pursuant to a consulting agreement at the fair market value price of \$4.625 per share. On September 20, 1996, 45,000 options were granted pursuant to a consulting agreement at prices ranging from \$9.00 to \$15.00 per share. None of these options had been exercised as of December 31, 1997.

NOTE 6 - PENSION PLAN

Effective January 1, 1997, the Company adopted a defined benefit pension plan (the "Plan") covering substantially all of its employees. The benefits are based on years of service and the employee's compensation during the five years before retirement. The Company will make annual contributions to the Plan equal to the maximum amount that can be deducted for income tax purposes. For the three months and six months ended December 31, 1997, the estimated current service cost (normal cost) and the amortized portion of the unfunded estimated accrued liability for prior service cost, using a 30-year funding period, amounted to \$117,000 and \$234,000, respectively. This amount has been accrued in the current period.

NATURAL ALTERNATIVES INTERNATIONAL, INC.  
PART I - FINANCIAL INFORMATION

NOTES TO CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - MAJOR CUSTOMERS

The Company had substantial sales to four separate customers during one or more of the periods shown in the following table. The loss of any of these customers could have an adverse impact on the Company's revenues and earnings in the short-term. Sales by customer, representing 10% or more of the respective period's total sales, are shown below by industry segment.

Industry Segment	Three Months Ended December 31, 1997		Three Months Ended December 31, 1996		Six Months Ended December 31, 1997		Six Months Ended December 31, 1996	
	Sales by Customer	% (a)	Sales by Customer	% (a)	Sales by Customer	% (a)	Sales by Customer	% (a)
Multi-level Distribution:								
Customer 1	\$ 6,203,914	38%	\$ 4,708,187	37%	\$10,967,245	39%	\$ 7,346,017	31%
Customer 2	3,402,785	21%	2,137,216	17%	5,426,722	19%	4,878,149	20%
Customer 3	1,551,380	10%	(b)		2,921,536	10%	(b)	
Customer 4	(b)		1,750,034	14%	(b)		3,101,097	13%
	-----	---	-----	---	-----	---	-----	---
	\$11,158,079	69%	\$ 8,595,437	68%	\$19,315,503	68%	\$15,325,263	64%
	=====	===	=====	===	=====	===	=====	===

(a) Percent of total sales

(b) Sales for the period were less than 10% of total sales.

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NATURAL ALTERNATIVES INTERNATIONAL, INC.  
PART I - FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

Except for the historical information contained herein, the following discussion contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those projected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this section and those discussed in the Company's Annual Report on Form 10-K.

RESULTS OF OPERATIONS

SECOND QUARTER OF FISCAL 1998 AND 1997

The Company's consolidated net sales for the quarter ended December 31, 1997, amounted to \$16.3 million, an increase of \$3.7 million over the \$12.6 million generated during the quarter ended December 31, 1996. The 29% increase in sales is evenly divided between sales to existing customers and sales to new customers. International sales for the quarter ended December 31, 1997, amounted to \$4.3 million compared to \$.5 million for the quarter ended December 31, 1996. The increase in international sales is primarily from expansion into foreign markets by existing customers.

Gross profit margins were 27.3% for the quarter ended December 31, 1997, compared to 25.5% for the quarter ended December 31, 1996. The increase in margins was due to manufacturing cost efficiencies.

Selling, general and administrative expenses decreased as a percentage of net sales to 13.4% for the quarter ended December 31, 1997 from 14.4% for the quarter ended December 31, 1996. Selling, general and administrative expenses increased from \$1.8 million in 1996 to \$2.2 million in 1997. The increase was primarily due to expenses associated with the employee pension plan, which was adopted on January 1, 1997, and higher depreciation and other expenses connected with the start-up of the new tablet manufacturing facility.

Net earnings for the quarter ended December 31, 1997, amounted to \$1.4 million, a \$.6 million increase from the \$.8 million in net earnings produced for the

quarter ended December 31, 1996. The increase in net earnings was due primarily to the growth in gross profit partially offset by the increase in selling, general and administrative expenses discussed above.

Diluted earnings per share for the quarter ended December 31, 1997, was \$.24 compared to \$.15 for the quarter ended December 31, 1996. The increase was due to the reasons discussed above.

#### SIX MONTHS ENDED DECEMBER 31, 1997 AND 1996

The Company's consolidated net sales for the six months ended December 31, 1997, amounted to \$28.3 million, an increase of \$4.2 million over the \$24.1 million generated during the six months ended December 31, 1996. The 18% increase in sales is primarily attributable to sales to new customers. International sales for the six months ended December 31, 1997, amounted to \$8.0 million compared to \$.8 million for the six months ended December 31, 1996. The increase in international sales is primarily from expansion into foreign markets by existing customers.

Gross profit margins were 26.8% for the six months ended December 31, 1997, compared to 26.9% for the six months ended December 31, 1996.

#### NATURAL ALTERNATIVES INTERNATIONAL, INC. PART I - FINANCIAL INFORMATION

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### RESULTS OF OPERATIONS (continued)

Selling, general and administrative expenses increased as a percentage of net sales to 15.5% for the six months ended December 31, 1997 from 14.8% for the six months ended December 31, 1996. Selling, general and administrative expenses increased from \$3.6 million in 1996 to \$4.4 million in 1997. The increase was primarily due to expenses associated with the employee pension plan, which was adopted on January 1, 1997, and higher depreciation and other expenses connected with the start-up of the new tablet manufacturing facility.

Net earnings for the six months ended December 31, 1997, amounted to \$2.0 million, a \$.2 million increase from the \$1.8 million in net earnings for the six months ended December 31, 1996. The increase in net earnings was due primarily to the growth in gross profit margins partially offset by the increase in selling, general and administrative expenses discussed above.

Diluted earnings per share for the six months ended December 31, 1997, was \$.35 compared to \$.31 for the six months ended December 31, 1996. The increase was due to the reasons discussed above.

#### LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1997, the Company had working capital of \$12,499,000 compared to \$11,439,000 as of June 30, 1997. An increase in inventories was offset by decreases in cash and cash equivalents and accounts receivable and an increase in accounts payable and income taxes payable. Inventory levels at December 31, 1997, compared to sales, increased moderately relative to historical levels, due principally to increased stocking for fulfillment of an increased sales order backlog.

The Company has purchase commitments approximating \$650,000 for additional production equipment that is expected to be placed in service in the third quarter. These expenditures are expected to be funded from cash flow from operating activities.

The Company believes it has sufficient sources of funds to finance its ongoing

operations and meet its capital asset purchases, as well as future growth through a combination of internally generated cash flow, revolving lines of credit and equipment financing. The Company has revolving line of credit agreements permitting borrowings up to \$3,000,000, which are secured by the Company's receivables, inventory, equipment, and vehicles and bear interest at the bank's prime rate. The bank's prime rate at December 31, 1997 was 8.5%. The lines of credit expire in January 1999. The company had no borrowings outstanding at December 31, 1997, or at June 30, 1997, under these credit lines.

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NATURAL ALTERNATIVES INTERNATIONAL, INC.  
PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, based in part on the advice of counsel, the ultimate disposition of these matters will not have a material adverse impact on the Company's consolidated financial position, operations or cash flows.

ITEM 2. CHANGES IN SECURITIES

During the quarter ended December 31, 1997, 34,000 common shares were issued pursuant to employee stock option exercises.

ITEM 3. DEFAULTS BY THE COMPANY ON ITS SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's Annual Meeting of Shareholders was held on December 12, 1997. The following matters were voted upon at the meeting:

	Votes for	Votes Against	Abstentions
Election of Mark A. LeDoux as director	4,833,161		27,715
Confirm KPMG Peat Marwick LLP as the Company's Independent auditors for the fiscal year ending June 30, 1998	4,847,299	12,398	1,179

Mark A. LeDoux was elected to continue serving as a director of the Company until the 2000 Annual Meeting of Stockholders. Others whose term of office as a director continued after the meeting include Marie A. LeDoux, William P. Spencer, William R. Kellas, and Lee G. Weldon.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits: The following exhibits are filed herewith:

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27.0. Financial Data Schedule

(b) No reports on Form 8-K were filed during the quarter ended December 31, 1997.

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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 ALTERNATIVES INTERNATIONAL, INC.

MARK A. LE DOUX

Date: February 11, 1998

-----

Mark A. Le Doux  
Chief Executive Officer

WILLIAM P. SPENCER

Date: February 11, 1998

-----

William P. Spencer  
President

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<ARTICLE> 5

<LEGEND>

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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