

SMART BALANCE, INC.

Smart Balance Announces Third Quarter 2011 Results

Company Delivers Strong Performance and Raises its Profit Outlook for Full Year Net Sales Grow 20% and Earnings Per Share Double Provides Initial 2012 Growth Outlook

Paramus, N.J. (November 3, 2011) – Smart Balance, Inc. (NasdaqGM: SMBL) today announced its financial results for the third quarter ended September 30, 2011, raised its profit outlook for the full year and introduced an initial outlook for 2012. Results reflect the acquisition of the Glutino Food Group (“Glutino”) as of August 3rd. For the third quarter of 2011, net sales increased 19.7% while earnings per share were \$0.02, versus \$0.03 last year. Excluding one-time items, earnings per share for the third quarter doubled to \$0.06. Sales growth and continued expense management drove the increase in earnings per share.

Smart Balance increased its full year 2011 outlook to reflect the improvement in the third quarter results. While the Company continues to expect 2011 net sales to grow in the 10% to 12% range compared to 2010, it now expects 2011 cash operating income to grow in the 18% to 20% range compared to 2010. This compares to the Company’s previously stated outlook of 2011 cash operating income growth in the 12% to 14% range.

The initial full year 2012 outlook includes net sales in the \$320 million to \$330 million range, gross margin in the 42% to 44% range and cash operating income in the \$44 million to \$47 million range.

Commenting on the quarter, Chairman and Chief Executive Officer Stephen Hughes stated, “We are pleased to report another strong quarter, which contributed to our improved outlook for 2011 and confidence in our initial 2012 outlook. While the addition of Glutino contributed a significant portion of our sales growth in the quarter, our base business increased approximately 5%.” Commenting further Mr. Hughes stated, “We had a number of positive events occur in our base business this quarter. Our three-tier spreads strategy performed well, reporting approximately 6% sales growth, as the overall spreads category continued to benefit from the price increases initiated earlier in the year. Our Smart Balance Enhanced Milk national distribution efforts scored a significant win; tripling our distribution footprint at Wal-Mart beginning in the fourth quarter. Finally, Earth Balance continues to perform well, with approximately 33% sales growth, driven by product innovation and continued performance from both the natural foods and grocery channels.”

Regarding Glutino, Mr. Hughes stated, “We are well on our way to integrating Glutino with our portfolio of health and wellness brands. Since the acquisition on August 3rd, our teams have been working extraordinarily well together and have identified opportunities within product development, sales and marketing, and supply chain efficiencies. The growth in the gluten-free

market and the potential for this combination is very exciting. In the future, we look forward to sharing our achievements as we leverage our organization's core competencies and create long-term value for our shareholders."

Third Quarter Results

Net sales in the third quarter of 2011 increased 19.7% to \$71.7 million, compared to net sales of \$59.9 million in the third quarter of 2010. This performance primarily reflected the acquisition of Glutino. In addition, the Company's base business was positively impacted by higher selling prices and positive changes in its product mix, partially offset by lower volume and higher promotional spending.

In the spreads category, sales growth from the Company's three-tier brands resulted in an increase in overall spreads sales of 6.4% driven by the positive net impact of pricing activity in the spreads category and volume growth from Smart Balance® and Earth Balance®, offset by a volume decline from Bestlife™. The Company's total spreads dollar market share¹ in the third quarter of 2011 declined 110 basis points versus year-ago to 14.7%. The decline in dollar market share for the quarter was due to the continued overall consumer shift to value brands from premium brands in the market, as well as the timing associated with achieving on-shelf price increases versus that of the competition, which initiated further price increases in the quarter.

Sales of Smart Balance® enhanced milk increased 4.5% in the quarter, due to the positive impact from higher pricing and the elimination of introductory costs incurred last year, offset by lower volume from the company lapping its 2010 national distribution pipeline fill at retail and the timing of promotions. Smart Balance® enhanced milk is now sold in approximately 66% of the supermarkets in the U.S., and its market share in the healthy premium milk segment, which consists of organic, lactose-modified, soy, almond and enhanced varieties, was 2.0% in the third quarter of 2011, compared to 2.2% in the year ago period.

Sales of the Company's grocery and other products in its portfolio increased 1.3% versus the year-ago third quarter, reflecting higher prices and volume increases in cooking oil and peanut butter, offset by lower volume of popcorn and mayonnaise, and the elimination of sour cream.

The Company's Earth Balance® portfolio continued to perform well, registering a sales gain of 32.5% versus year-ago in the third quarter. This gain was primarily driven by growth of Earth Balance® spreads, including its recent launches of MindfulMayo™ and Organic Coconut Spread, and soymilk in the natural foods channel. Earth Balance® Spreads products have continued to gain new distribution in the grocery channel.

Glutino, which was included in the Company's results for approximately two months of the quarter, represented approximately 15 points of the consolidated net sales growth. When compared to the same period last year, Glutino sales increased 8.5%. The growth in the quarter was muted by the negative impact from the timing of the Company's bread re-launch under its new partnership with the Genius™ brand.

Gross profit in the third quarter of 2011 was \$30.2 million, or 42.1% of net sales, compared with gross profit of \$28.6 million, or 47.7% of net sales in the third quarter of 2010. Included in cost of goods in the third quarter of 2011 was a one-time \$0.8 million charge related to the Glutino acquisition to reflect the estimated fair value of finished goods inventory acquired. Excluding this one-time adjustment to cost of goods sold, gross profit in the third quarter of 2011 was \$31.0 million, or 43.2% of net sales, compared with gross profit of \$28.6 million, or 47.7% of net sales, in the third quarter of 2010. The lower margin reflected a number of items: the impact of rising commodity costs; the consolidation of Glutino, which has lower gross margins; and planned increases in promotional spending. Partially offsetting these impacts were the benefit of higher selling prices and a product mix shift to higher margin products in the base business.

Operating income was \$2.1 million in the third quarter, compared to operating income of \$3.4 million in the third quarter of 2010. Excluding one-time items, operating income increased approximately 94% to \$6.6 million in the third quarter. The one-time charges impacting operating income in the third quarter of 2011 include the aforementioned adjustment to Glutino's finished goods inventory of \$0.8million and costs associated with the Glutino acquisition of \$2.6 million. In addition, the company settled a class-action lawsuit relating to the Company's Nucoa® stick margarine product, the sales of which represented less than 1% of the Company's sales, for \$1.1 million. The costs related to the Glutino acquisition, and the class-action settlement, are included in general and administrative expenses.

The improvement in operating performance, excluding one-time charges, was primarily the result of higher net sales and gross profit, as well as lower non-promotional marketing expenses, due to the planned shift in the Company's overall marketing mix to trade promotions and coupons (promotional expenses) and lower stock option expense.

Cash operating income increased 27.6% to \$9.7 million in the third quarter compared to \$7.6 million in the prior year's quarter. The table below provides a reconciliation of operating income to cash operating income, a non-GAAP measure.

Reconciliation of Operating Income to Cash Operating Income – Third Quarter

| \$ in Millions | <u>2011</u> | <u>2010</u> |
|--|--------------|--------------|
| Operating Income | <u>\$2.1</u> | <u>\$3.4</u> |
| Less non-cash and one-time items affecting | | |
| Operating Income: | | |
| Stock-based compensation expense | 0.9 | 3.0 |
| Depreciation and amortization | 2.2 | 1.3 |
| Non-cash/one-time items | <u>4.5</u> | <u>(0.1)</u> |
| Cash Operating Income | <u>\$9.7</u> | <u>\$7.6</u> |

Net income in the third quarter of 2011 was \$1.1 million, or \$0.02 per share, compared with net income of \$1.7 million, or \$0.03 per share, in the year-ago quarter. In the 2011 quarter, the provision for income taxes was favorably impacted by an unusually low effective tax rate, related to the timing of annual adjustments to the Company's blended effective state tax rate applied to gross deferred tax assets and liabilities. Adjusting for a normalized tax rate of 40% and excluding the one-time, after-tax items discussed above, net earnings increased to \$3.5 million, or \$0.06 per share, from \$1.7 million, or \$0.03 per share, in the previous year period. This performance reflected the growth in operating income.

Reconciliation of One-time Items Affecting Net Income and Earnings Per Share (EPS) –
Third Quarter

| | <u>Net Income (\$ Millions)</u> | | <u>EPS (\$ Per share)</u> | |
|---|---------------------------------|--------------|---------------------------|---------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Reported | \$1.1 | \$1.7 | \$0.02 | \$0.03 |
| Less one-time items: | | | | |
| Acquisition costs | 2.2 | - | 0.04 | - |
| Legal settlement (Nucoa) | 0.9 | - | 0.01 | - |
| Glutino inventory step-up to fair value | 0.7 | | 0.01 | |
| Tax rate adjustment | <u>(1.4)</u> | - | <u>(0.02)</u> | - |
| Excluding one-time Items | <u>\$3.5</u> | <u>\$1.7</u> | <u>\$0.06</u> | <u>\$0.03</u> |

Full Year 2011 Outlook

With the improvement in operating performance in the third quarter, the Company increased its profit outlook for the full year of 2011. While the Company continues to expect net sales to grow in the 10% to 12% range (\$266 million to \$271 million), it now expects cash operating income to grow in the 18% to 20% range (\$39 million to \$40 million). This compares to the Company's previously stated outlook of cash operating income growth in the 12% to 14% range (\$37 million to \$38 million).

Full Year 2012 Outlook

Smart Balance introduced its initial full year 2012 outlook, which includes net sales in the \$320 million to \$330 million range, gross margin in the 42% to 44% range and cash operating income in the \$44 million to \$47 million range. When compared to the midpoint of the 2011 outlook, this represents approximate revenue growth of 19% to 23% and cash operating income growth of 11% to 19%.

Footnotes

¹ All references to market share are based on U.S. mass-market dollar volume according to The Nielsen Company (an independent research entity) for the 12-week period ending October 1, 2011, unless otherwise noted.

Forward-looking Statements

Statements made in this press release that are not historical facts, including statements about the Company's plans, strategies, beliefs and expectations, are forward-looking and subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements may include use of the words "expect", "anticipate", "plan", "intend", "project", "may", "believe" and similar expressions. Forward-looking statements speak only as of the date they are made, and, except for the Company's ongoing obligations under the U.S. federal securities laws, the Company undertakes no obligation to publicly update any forward-looking statement, whether to reflect actual results of operations, changes in financial condition, changes in general economic or business conditions, changes in estimates, expectations or assumptions, or circumstances or events arising after the issuance of this press release. Actual results may differ materially from such forward-looking statements for a number of reasons, including those risks and uncertainties set forth in the Company's filings with the SEC and the Company's ability to:

- maintain and grow those revenues derived from our Smart Balance® buttery spread products which we generate a substantial portion of our revenues;
- maintain margins during periods of commodity cost fluctuations;
- introduce and expand distribution of our new products;
- meet marketing and infrastructure needs;
- respond to changes in consumer demand;
- respond to adverse publicity affecting the Company or industry;
- maintain our performance during difficult economic conditions;
- comply with regulatory requirements;
- maintain existing relationships with and secure new customers;
- continue to rely on third party distributors, manufacturers and suppliers;
- successfully integrate and operate the Glutino business and realize the expected benefits of the Glutino acquisition;
- operate outside of the U.S.;
- successfully maintain relationships with the co-packers for our Glutino products;
- grow net sales in a competitive environment and with increasingly price sensitive consumers; and
- maintain volume in light of price increases stemming from rises in commodity costs.

Non-GAAP Financial Measures

The Company reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP").

The Company uses the term "cash operating income" as important measures of profitability and performance and uses net income and earnings per share (EPS) excluding one-time items as an important measure of on-going profitability. Cash operating income is a non-GAAP measure defined as operating income excluding stock based compensation, depreciation, amortization of intangibles, impairment charges and net realignment charges. Net income and EPS excluding one-time items are also non-GAAP measures. Our management uses cash operating income and considers net income and EPS excluding one-time items for planning purposes, and we believe these measures provide investors and securities analysts with important supplemental information regarding the Company's profitability and operating performance and its on-going profitability. However, non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the company's results prepared in accordance with GAAP. In addition, the non-GAAP measures the company uses may differ from non-GAAP measures used by other companies. We have included in this press release reconciliations of cash operating income to operating income and of net income and EPS excluding one-time items to net income and EPS, in each case as calculated in accordance with GAAP.

About Smart Balance, Inc.

Smart Balance, Inc. (NasdaqGM: SMBL) is committed to providing superior tasting, solution-driven products in every category it enters. The company's health and wellness platform consists of four brands that target specific consumer needs: Smart Balance for heart healthier diets; Glutino for gluten-free diets; Earth Balance for plant-based diets; and Bestlife for weight management. The company markets the Smart Balance line of products, which avoids trans-fats naturally and balances fats and/or reduces saturated fats, such as Smart Balance® Buttery Spreads and Enhanced Milks. The company's Glutino brand is a trusted pioneer and leader in the gluten-free category, with a wide variety of great-tasting gluten-free foods consumers trust across a number of product categories, such as Glutino® Pretzel Twists and Breakfast Bars. The company markets the Earth Balance line of non-GMO plant-based products, which include Earth Balance® Buttery Spreads, Nut Butters and Soy Milks. The company also markets weight management products under the Bestlife brand, which include Bestlife™ Buttery Spreads and Sticks. For more information about Smart Balance, Inc., please visit www.smartbalance.com.

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SMART BALANCE, INC. AND SUBSIDIARY
Consolidated Balance Sheets
(In thousands, except share and per share data)

| | September 30, 2011 | December 31, 2010 |
|--|-------------------------------|------------------------------|
| | (unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 9,490 | \$ 3,840 |
| Accounts receivable, net of allowance of: \$288 (2011) and \$261 (2010) | 18,113 | 12,960 |
| Accounts receivable – other | 1,216 | 755 |
| Inventories | 14,536 | 7,949 |
| Prepaid taxes | 447 | — |
| Prepaid expenses and other assets | 1,371 | 2,651 |
| Deferred tax asset | 2,755 | 2,320 |
| Total current assets | 47,928 | 30,475 |
| Property and equipment, net | 11,512 | 5,378 |
| Other assets: | | |
| Goodwill | 267,467 | 248,912 |
| Intangible assets, net | 184,911 | 150,017 |
| Deferred costs, net | 2,825 | 1,467 |
| Other assets | 1,571 | 2,154 |
| Total other assets | 456,774 | 402,550 |
| Total assets | \$ 516,214 | \$ 438,403 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 30,565 | \$ 23,481 |
| Income taxes payable | 2,930 | 457 |
| Current portion of long term debt | 5,010 | 5,000 |
| Total current liabilities | 38,505 | 28,938 |
| Long term debt | 102,957 | 44,000 |
| Deferred tax liability | 50,762 | 44,165 |
| Contract payable | 4,125 | 5,500 |
| Other liabilities | 923 | 2,301 |
| Total liabilities | \$ 197,272 | \$ 124,904 |
| Commitment and contingencies | | |
| Stockholders' equity | | |
| Common stock, \$.0001 par value, 250,000,000 shares authorized; 62,630,683 (2011 and 2010) issued and 58,940,020 and 59,999,832 outstanding in 2011 and 2010, respectively | 6 | 6 |
| Additional paid in capital | 538,571 | 534,568 |
| Accumulated deficit | (202,611) | (210,627) |
| Accumulated other comprehensive income, net of tax | (1,429) | — |
| Treasury stock, at cost (3,690,663 and 2,630,851 shares in 2011 and 2010, respectively) | (15,595) | (10,448) |
| Total stockholders' equity | 318,942 | 313,499 |
| Total liabilities and stockholders' equity | \$ 516,214 | \$ 438,403 |

SMART BALANCE, INC. AND SUBSIDIARY
Consolidated Statements of Operations and Comprehensive Income
(Unaudited)
(In thousands, except share and per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Net sales | \$ 71,660 | \$ 59,939 | \$ 190,403 | \$ 179,207 |
| Cost of goods sold | 41,425 | 31,389 | 103,624 | 90,446 |
| Gross profit | 30,235 | 28,550 | 86,779 | 88,761 |
| Operating expenses: | | | | |
| Marketing | 6,947 | 9,754 | 18,337 | 30,252 |
| Selling | 5,909 | 4,994 | 16,209 | 14,614 |
| General and administrative | 15,268 | 10,401 | 35,112 | 33,528 |
| Goodwill impairment | — | — | — | 130,000 |
| Total operating expenses | 28,124 | 25,149 | 69,658 | 208,394 |
| Operating income (loss) | 2,111 | 3,401 | 17,121 | (119,633) |
| Other income (expense): | | | | |
| Interest expense | (910) | (841) | (2,384) | (2,553) |
| Other income (expense), net | 156 | 222 | 622 | (363) |
| Total other (expense) | (754) | (619) | (1,762) | (2,916) |
| Income (loss) before income taxes | 1,357 | 2,782 | 15,359 | (122,549) |
| Provision for income taxes | 214 | 1,128 | 7,344 | 5,950 |
| Net income (loss) | \$ 1,143 | \$ 1,654 | \$ 8,015 | \$ (128,499) |
| Income (loss) per share: | | | | |
| Basic | \$ 0.02 | \$ 0.03 | \$ 0.14 | \$ (2.07) |
| Diluted | \$ 0.02 | \$ 0.03 | \$ 0.14 | \$ (2.07) |
| Weighted average shares outstanding: | | | | |
| Basic | 58,940,020 | 61,154,018 | 59,362,789 | 62,076,439 |
| Diluted | 58,986,833 | 61,154,018 | 59,372,198 | 62,076,439 |
| Other comprehensive income, net of tax: | | | | |
| Foreign currency translation adjustment | (1,429) | — | (1,429) | — |
| Other comprehensive income | \$ (1,429) | \$ — | \$ (1,429) | \$ — |
| Comprehensive income (loss) | \$ (286) | \$ 1,654 | \$ 6,586 | \$ (128,499) |