

# Mannatech

2004 Shareholders'  
Annual Report



Wellness for Life  
through Science  
& Technology

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## SELECTED FINANCIAL DATA

For the year ended December 31,

2002      2003      2004

(in millions, except per share info and ratios)

### Results of Operations:

Net sales	\$141	\$191	\$295
Gross profit	\$57	\$81	\$117
Income before tax	\$3	\$13	\$27
Net income	\$2	\$9	\$20

### Earnings Per Share:

Basic	\$0.08	\$0.34	\$0.74
Diluted	\$0.07	\$0.34	\$0.71

### Weighted Average common share outstanding:

(in thousands)

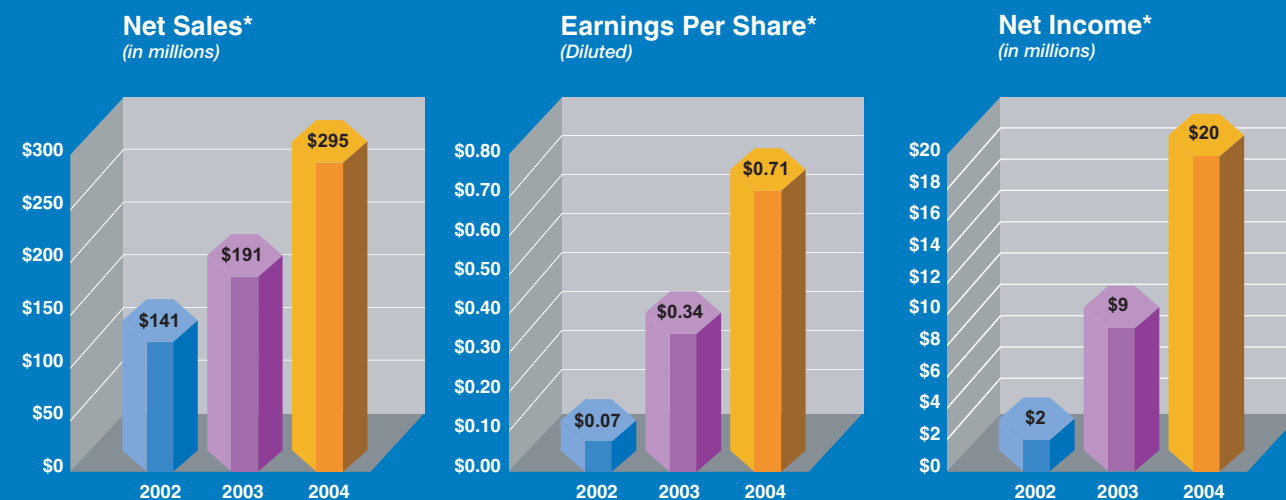
Basic	25,135	25,494	26,436
Diluted	25,265	26,175	27,491

### Financial Condition:

Total cash and investments	\$18	\$54	\$61
Total working capital	\$10	\$16	\$28
Total assets	\$35	\$60	\$98
Total shareholders' equity	\$18	\$33	\$56
Cash flows from operations	\$10	\$20	\$30

### Statistics:

Current Ratio	1.6	1.6	1.7
Inventory turnover ratio	3.5	5.8	4.3
Debt to equity ratio	0.9	0.8	0.8
Dividends paid per share	\$0.00	\$0.00	\$0.20



\*Financial information is for the year ended December 31.

# DEAR SHAREHOLDERS'



**Samuel L. Caster**  
Chairman of the Board and Chief Executive Officer

Put simply, in 2004 Mannatech, Incorporated had the best year in its history. Sales exceeded \$294 million for an increase of 54% as compared to 2003, Net Income reached \$19.5 million and increased by 2% as a percentage of net sales and diluted earnings per share of \$0.71 more than doubled as compared to 2003 for a gain of 109%. Our balance sheet at year-end showed more than \$61 million in cash and investments and we have no long-term debt. The number of current independent Associates and members exceeded 369,000 from around the world, and Mannatech benefited from its biggest twelve-month Associate recruiting effort in the history of the company.

This impressive list of business statistics is also augmented by other achievements through the year. Mannatech began operations in the Republic of Korea in September of 2004 and

also laid the groundwork to begin operations in Taiwan in mid-2005. We found, researched and perfected new components to utilize in our improved flagship glyconutrient blend, called Advanced Ambrotose®, which was introduced to our independent Associates at MannaFest in March 2005. Work was begun on the installation of our new integrated computer backbone system, using Peoplesoft® Enterprise One system, which when completed will equip Mannatech with an advanced system. This multi-million dollar system will afford us with efficiencies to better serve our independent Associates and assist them with management of their business organizations, as well as provide improved internal workflow and the potential for faster, more fluid expansion into new international markets.

And yet, with all these successes, perhaps our greatest point of pride stemming from the growth of Mannatech is our stronger ability to touch and improve the lives of thousands of people in countries around the globe. The capacity to improve health and maintain wellness through use of the groundbreaking Mannatech products means that our independent Associates and Members can lead more active, vigorous lives, and thus take full advantage of the benefits of achieving good health. Whether through the economic opportunity afforded by Mannatech products or through optimizing their internal bodily systems, we have been able to provide Hope, Health, and Opportunity to a vastly increased number of people. Every person who is introduced to Mannatech can in turn help others by bringing this knowledge of optimal health and wellness to them as well.

We intend to aggressively pursue these possibilities to continue to grow our company and to help new people all around the world to achieve wellness for life through Science & Technology. Where else can you combine the great personal satisfaction of making improvements to your own health and financial situation and at the same time achieve our purpose of helping to improve the lives of others?

Thank you for your belief in the possibilities of Mannatech.

**Samuel L. Caster**  
Chairman of the Board and Chief Executive Officer



## Audit Committee:

(back row -right)

**Patricia A. Wier (Chairman)**  
Owner of Patricia Wier, Inc.

(front)

**Gerald E. Gilbert**  
Of Counsel, Hogan and Hartson, L.L.P.

(left to right)

**Donald A. Buchholz**  
Founder and CEO of SWS Group, Inc.

**Alan D. Kennedy**  
Retired, President Worldwide for Tupperware Corporation

## Nominating and Governance Committee:

(front)

**J. Stanley Fredrick (Chairman)**  
Lead Director, Owner of Fredrick Consulting Services

(back row l-r)

**Gerald E. Gilbert**  
Of Counsel, Hogan and Hartson, L.L.P.

**Alan D. Kennedy**  
Retired, President Worldwide for Tupperware Corporation

**Patricia A. Wier**  
Owner of Patricia Wier, Inc.



## Science Committee:

(front)

**John Stewart Axford, BSc, MD, FRCP (Chairman)**  
Member of the Faculty at St. George's Hospital and Medical School, University of London

(middle row)

**Marlin Ray Robbins**  
Independent Associate, Mannatech, Incorporated

**Samuel L. Caster**  
Chairman of the Board and Chief Executive Officer

(back row l-r)

**Terry L. Persinger**  
President and Chief Operating Officer

**Gerald E. Gilbert**  
Of Counsel, Hogan and Hartson, L.L.P.

**Alan D. Kennedy**  
Retired, President Worldwide for Tupperware Corporation



(Not pictured - *Qualified Legal Compliance Committee* - Gerald E. Gilbert (Chairman), Donald A. Buchholz, Alan D. Kennedy, Patricia A. Wier.  
*Compensation and Stock Option Plan Committee* - J. Stanley Fredrick (Chairman), Donald A. Buchholz, Gerald E. Gilbert, Alan D. Kennedy, Patricia A. Wier.)



## COMPANY FOCUS

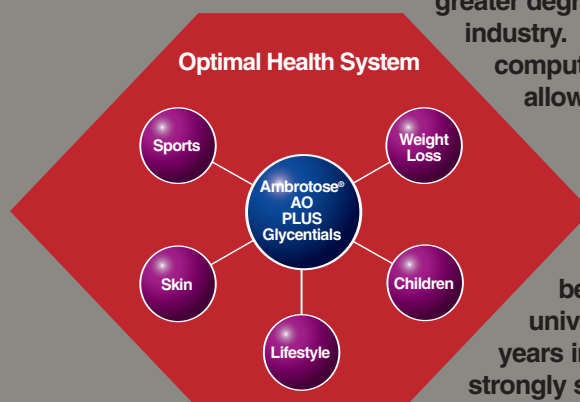
Mannatech has rapidly scaled the slopes of the glyconutritional supplement market as it has assumed the leadership position in the emerging and quickly growing wellness industry. Now, little more than ten years after its inception, Mannatech is looking forward to opening its seventh international market, Taiwan. Other new markets are planned to follow the Taiwan opening, and additional new countries will bring even greater business opportunities in the years ahead.

While the successes of past years have been impressive for Mannatech, the Company believes strongly that, yes, the best is still to come. In order to correctly position the Company for what promises to be even greater worldwide success, the management and its Board of Directors have looked into the future, and pictured what must begin now in order to prepare for the challenges which will be encountered in making Mannatech a name recognized around the world.

These preparations include making investments in the business, in its support mechanisms, and perhaps most importantly, in its people. Having long been the central focal point of the Company, product research and exploration continues today to be the cornerstone of Mannatech. Refinement of current products as well as experimentation and clinical study of glyconutritional supplements deepens the knowledge base of the Company in addition to bringing new discoveries and potential benefits to all those interested in maintaining optimal health and wellness.

Over the past several years the Company has also been developing a computer system which will result in a greater degree of company-wide process integration than has been achieved in the industry. Linking all countries in a single enterprise system, the new fully-integrated computer backbone system, called the Peoplesoft® Enterprise One system will allow a universal flow of information for network-marketing.

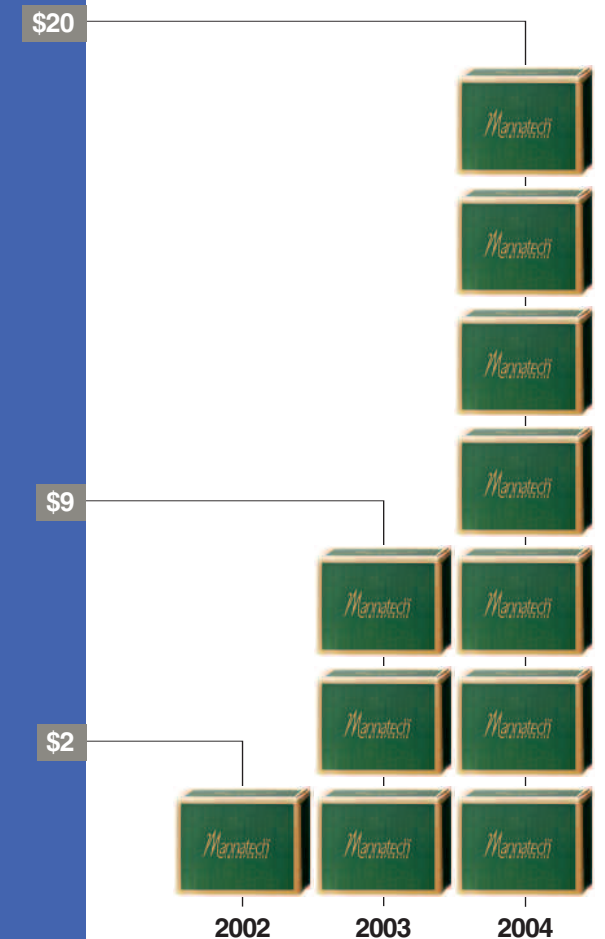
Installation of the Peoplesoft® Enterprise One system began in mid-year 2004, and the financial portion of the package was initially activated in January 2005. Continued development and installation work will span 2005 with a projected completion date of early 2006. With a total cost of between \$11 million and \$13 million, this considerable investment in a universal system will provide the Company with a stable system platform for years into the future. The needs of Mannatech Associates and employees will be strongly served by the new system, while the future of Mannatech continues its promise of greater opportunity and success.



**“We operate in the wellness industry, but our goal is to create opportunities for people around the world, by enhancing their health and wellness.”**

## ANNUAL NET INCOME

(in millions)





## PRODUCT/CONSUMER FOCUS

Our modern world has presented us with possibilities that the generations who came before us would have trouble believing. Today we regularly utilize products that illustrate the speed of rapidly advancing scientific technologies such as computers, mobile phones, satellites, and the other “necessary” tools of modern life. We have adjusted to the changes in our lives initiated by new technologies, and we look forward to additional improvements and greater convenience as technology continues to advance.

We have rapidly assimilated these technological improvements into our daily lives, and consumers around the world eagerly absorb each new improvement as it becomes available. But we believe the most important breakthrough of all doesn’t have anything to do with cellphones or computer chips – it is the breakthrough technology of glyconutritionals. These sugar-based molecules hold the promise of improving our health by improving our nutrition. These sugar-based molecules also hold the promise of wellness and the promise of remaining active with a high quality of health and vitality throughout our lives. These sugar-based molecules are natural products, safely supporting the physiological systems of the human body and its ability to defend, protect, and restore itself with no toxic side effects, resulting in “Wellness For Life through Science & Technology”.

Mannatech believes that it stands at the forefront of the wellness revolution and has forged new and groundbreaking paths concerning glyconutritional technology and wellness in general. Mannatech products incorporate ingredients that are believed to be desperately needed by our immune system to support optimal health. The technological progress which in many ways has modernized our lives has come at a cost to our environment, and our busy lifestyles have forced compromises in our diets, further complicating our chances of remaining healthy.



The strong growth of Mannatech reflects the ready acceptance of supplement consumers around the world who have welcomed the arrival of the Ambrotose® Complex and the technology it represents. Mannatech believes that using its products as a solid nutritional base for a wellness-oriented lifestyle and combining regular exercise and healthy dietary habits has allowed Mannatech independent Associates and consumers to bring vitality and energy to their daily lives, confident in the knowledge that they are giving their systems the optimal nutrients we all need.

“Our brand represents the mission of hope, health, and opportunity for the wellness revolution.”

## ANNUAL NET SALES (in millions)





## SCIENCE & TECHNOLOGY FOCUS

The path of human progress throughout the ages has been the story of mankind questioning, learning, and unlocking the secrets of nature. As we have encountered new and various challenges presented by our world, scientific research has repeatedly brought better understanding of these challenges, and has similarly presented us with answers to help us solve the difficulties associated with these challenges. Interestingly enough, modern scientific investigation routinely returns to nature itself for the best solutions to problems related to health and wellness.

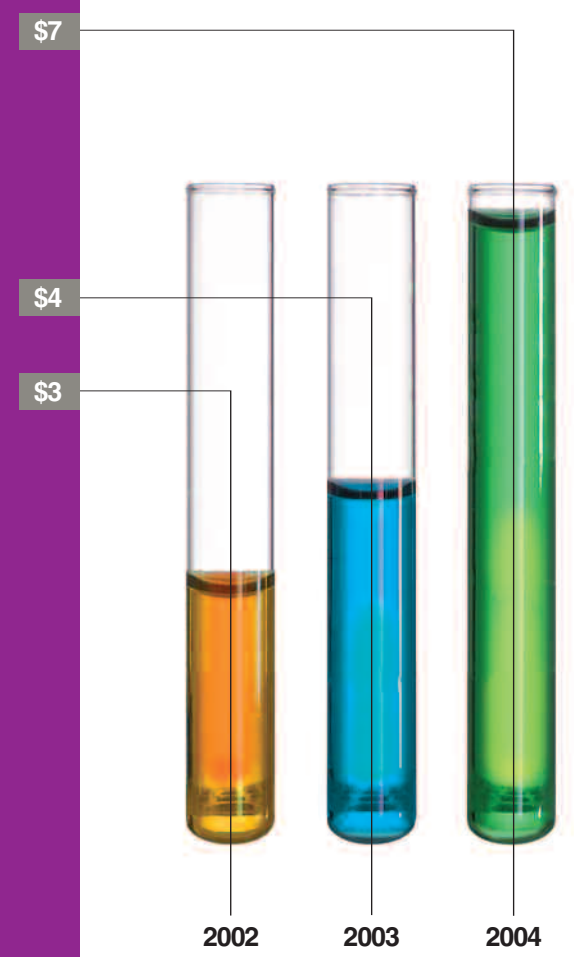
Mannatech believes its name has become synonymous with the science of glyconutritionals, and the 17 patents received from countries around the world for its groundbreaking new discoveries confirm this status. Our history of scientific breakthroughs continues today as the Company pushes the boundaries of scientific understanding forward into new territories. The realization that nature supplies us with the means to fortify the systems of our bodies is the key to such research, and nature gives us the necessary clues to find the types of nutrients we need to achieve and maintain optimal health and wellness. Plants grown from areas all around the world have provided us with the means to improve our nutrition, and our search for new and better sources of naturally-based glyconutrients will yield components that allows us to continually improve our products. A prime example is a recently completed agreement through which Mannatech will obtain a rich natural source of the fucose molecule called "undaria" from the pristine waters of Tasmania, which will be used in some of Mannatech's products to provide optimal health and wellness. This new and exciting area of scientific research is yielding its secrets to us, and Mannatech will continue its pledge to provide the most effective and highest quality wellness products available.



**“We are built on a solid foundation of science and quality driven, naturally-occurring products targeted at optimizing health and wellness.”**

## ANNUAL RESEARCH AND DEVELOPMENT COSTS

(in millions)





## ASSOCIATE FOCUS

Over the years Mannatech has continually strived to improve its global Associate career and compensation plan, and today Mannatech's independent Associates are supported by what is largely regarded as the leading commission plan in the network-marketing industry. Our groundbreaking glyconutritional technology has spurred interest in our economic business opportunity and helped to more than double Mannatech's sales in just two years.

The growth trend for the Company, set by Mannatech independent Associates, is the envy of other companies in many different industries. Since 2002, Mannatech's sales have grown at a compound rate of more than 40% annually due to the strength of our industry leading glyconutritional products and our premier network-marketing career and compensation plan. In addition, our current independent Associate and member count has grown at a rate of roughly 40% to reach more than 369,000 at the end of 2004.

This tremendous growth rate has been generated in countries around the globe – Mannatech independent Associates located in Canada, Australia, New Zealand, the United Kingdom, Japan, and South Korea, as well as in the United States have vigorously spread the word about the key role glyconutrients play in supporting optimal health and wellness. The dedication and passionate activities of our independent Associates all over the world has been the driving force behind the impressive trends of Mannatech. In addition, their focused work has generated significant commission incomes – over \$132 million in 2004 alone!

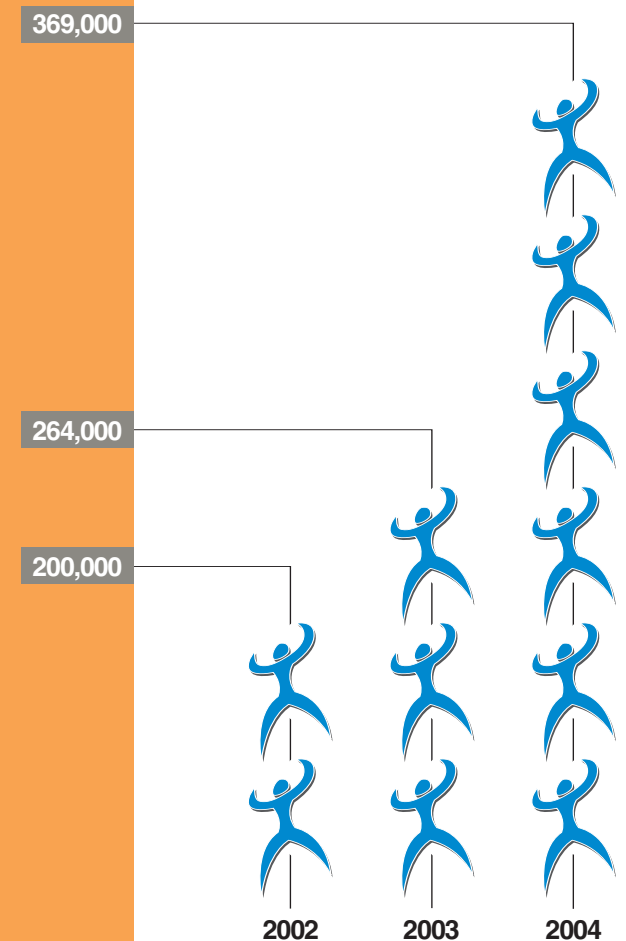
Working together to develop new Associates, the Mannatech Associate leadership has become the Best of the Best in providing support and guidance for those who wish to grow their network-marketing businesses. From learning about Mannatech products, to assistance in regular meeting set-up, and establishing contacts in other Mannatech markets, Mannatech Associate leadership has established new standards of success. In addition, Mannatech's global Associate career and compensation plan will continue to support these record-setting activities and strongly reward performance as Mannatech reaches new markets around the world.



“Every customer contact is another opportunity for Mannatech to make a difference.”

## NUMBER OF CURRENT ASSOCIATES AND MEMBERS

(As of December 31)



## CONSOLIDATED STATEMENTS OF OPERATIONS

### MANNATECH, INCORPORATED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for per share information)

	For the year ended December 31,		
	2002	2003	2004
<b>Net sales</b>	<b>\$140,948</b>	<b>\$191,019</b>	<b>\$294,508</b>
Cost of sales	24,419	30,884	44,847
Commissions and incentives	59,357	79,577	132,231
	83,776	110,461	177,078
<b>Gross profit</b>	<b>57,172</b>	<b>80,558</b>	<b>117,430</b>
Operating expenses:			
Selling and administrative expenses	32,777	39,993	50,006
Other operating costs	21,417	26,956	37,840
Severance expenses related to former executives	—	2,017	—
Non-cash charge related to affiliate stock sale	—	—	3,047
Total operating expenses	54,194	68,966	90,893
<b>Income from operations</b>	<b>2,978</b>	<b>11,592</b>	<b>26,537</b>
Interest income	285	348	735
Interest expense	(19)	(44)	(17)
Other income (expense), net	98	842	(257)
<b>Income before income taxes</b>	<b>3,342</b>	<b>12,738</b>	<b>26,998</b>
Income tax expense	(1,454)	(3,948)	(7,446)
<b>Net income</b>	<b>\$1,888</b>	<b>\$8,790</b>	<b>\$19,552</b>
<b>Earnings per common share:</b>			
Basic	<b>\$0.08</b>	<b>\$0.34</b>	<b>\$0.74</b>
Diluted	<b>\$0.07</b>	<b>\$0.34</b>	<b>\$0.71</b>
<b>Weighted-average common shares outstanding:</b>			
Basic	25,135	25,494	26,436
Diluted	25,265	26,175	27,491

(The contents of this report should be considered in conjunction with the risks and cautionary statements contained in Mannatech's 2004 annual report filed on Form 10-K, as filed with the United States Securities and Exchange Commission, which includes a complete set of Consolidated Financial Statements and Footnotes.)

## CONSOLIDATED BALANCE SHEETS

### MANNATECH, INCORPORATED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share information)

	December 31,	
	2003	2004
<b>ASSETS</b>		
Cash and cash equivalents	<b>\$28,291</b>	<b>\$44,198</b>
Restricted cash	2,140	393
Income tax receivable	—	4,161
Accounts receivable	134	392
Current portion of notes receivable from shareholders	55	144
Inventories	7,861	13,157
Prepaid expenses and other current assets	2,084	3,188
Deferred tax assets	2,363	1,850
<b>Total current assets</b>	<b>42,928</b>	<b>67,483</b>
Property and equipment, net	5,514	10,013
Long-term investments	9,994	17,073
Notes receivable from affiliates, excluding current portion	150	—
Deferred tax assets	631	1,003
Other assets	806	2,774
<b>Total assets</b>	<b>\$60,023</b>	<b>\$98,346</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current portion of capital leases	\$16	\$8
Accounts payable	2,687	2,227
Accrued expenses	19,940	35,037
Deferred revenue	3,142	2,256
Current portion of accrued severance related to former executives	953	375
<b>Total current liabilities</b>	<b>26,738</b>	<b>39,903</b>
Capital leases, excluding current portion	32	26
Accrued severance related to former executives, excluding current portion	359	—
Long-term liabilities	—	530
Long-term royalties due to an affiliate	106	1,658
Deferred tax liabilities	—	4
<b>Total liabilities</b>	<b>27,235</b>	<b>42,121</b>
Commitments and contingencies	—	—
<b>Shareholders' equity:</b>		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.0001 par value, 99,000,000 shares authorized, 26,227,171 shares issued and 26,183,422 outstanding in 2003, and 27,115,440 shares issued and 27,041,125 outstanding in 2004	3	3
Additional paid-in capital	24,175	34,917
Retained earnings	9,271	21,672
Accumulated other comprehensive income (loss)	(422)	195
<b>Total shareholders' equity</b>	<b>33,027</b>	<b>56,787</b>
Less treasury stock, at cost, 43,749 shares in 2003 and 74,315 shares in 2004	(239)	(562)
<b>Total liabilities and shareholders' equity</b>	<b>\$60,023</b>	<b>\$98,346</b>

(The contents of this report should be considered in conjunction with the risks and cautionary statements contained in Mannatech's 2004 annual report filed on Form 10-K, as filed with the United States Securities and Exchange Commission, which includes a complete set of Consolidated Financial Statements and Footnotes.)



## FINANCIAL INFORMATION

### GEOGRAPHICAL

#### Net Sales and Net Sales as a Percentage of Consolidated Net Sales

(in millions)	United States	Canada	Australia	United Kingdom	Japan	New Zealand	South Korea*	Total
2002	\$105	\$16	\$7	\$2	\$9	\$2	\$—	\$141
2003	\$128	\$17	\$15	\$5	\$19	\$7	\$—	\$191
<b>2004</b>	<b>\$193</b>	<b>\$22</b>	<b>\$31</b>	<b>\$11</b>	<b>\$24</b>	<b>\$13</b>	<b>\$1</b>	<b>\$295</b>

	United States	Canada	Australia	United Kingdom	Japan	New Zealand	South Korea*	Total
2002	74%	12%	5%	1%	6%	2%	—%	100%
2003	67%	9%	8%	2%	10%	4%	—%	100%
<b>2004</b>	<b>65%</b>	<b>8%</b>	<b>10%</b>	<b>4%</b>	<b>8%</b>	<b>4%</b>	<b>1%</b>	<b>100%</b>

\* began operations in September 2004.

### RECAP OF NET SALES

	For the year ended December 31,			Percentage change	
	2002	2003	2004	2003 over 2002	2004 over 2003
	(in millions)				
Product sales	\$106	\$144	\$209	37%	45%
Pack sales	29	39	71	34%	81%
Other, including freight	6	8	15	24%	91%
<b>Total net sales</b>	<b>\$141</b>	<b>\$191</b>	<b>\$295</b>	<b>36%</b>	<b>54%</b>

### CURRENT ASSOCIATES AND MEMBERS\*

Current Associates and Members	For the year ended December 31,					
	2002		2003		2004	
New	91,000	46%	134,000	51%	178,000	48%
Continuing	109,000	54%	130,000	49%	191,000	52%
<b>Total</b>	<b>200,000</b>	<b>100%</b>	<b>264,000</b>	<b>100%</b>	<b>369,000</b>	<b>100%</b>

\*Current is defined as purchasing a product within the last twelve months.

## EXECUTIVES



(left to right)

**Terry L. Persinger**  
President and Chief Operating Officer

**Stephen D. Fenstermacher**  
Senior Vice President and Chief Financial Officer

**John F. Crowley**  
President of International Operations



(left to right)

**Bettina S. Simon**  
Senior Vice President, General Counsel,  
and Corporate Secretary

**Steven W. Lemme**  
Senior Vice President of Sales and Marketing

**Cynthia L. Tysinger**  
Senior Vice President and Chief Information Officer



(left to right)

**Jeffrey P. Bourgoyne**  
Senior Vice President of Supply Chain and Associate Care

**Bill H. McAnalley, Ph.D.**  
Senior Vice President of Research and Product Development  
and Chief Science Officer

**Eileen M. Vennum**  
Senior Vice President of Research and Development  
Administration

## CORPORATE INFORMATION

### CORPORATE INFORMATION

**Corporate Headquarters:**

600 S. Royal Lane, Suite 200  
Coppell, TX. 75019  
(972) 471-7400  
[www.mannatech.com](http://www.mannatech.com)

**Investor Relations:**

For investor information, inquiries, reports  
and filings with the SEC email request to  
[IR@mannatech.com](mailto:IR@mannatech.com) or call (972) 471-6512.

**Registrar and Transfer Agent:**

EquiServe Trust Company N.A.  
(877) 498-8861  
[www.equiserve.com](http://www.equiserve.com)

**Annual Shareholders' Meeting:**

Mannatech's annual shareholder meeting will be  
held at 10:00 a.m. Central Daylight Time on June 13,  
2005, for shareholders of record on April 19, 2005.

**Stock Listing:**

Mannatech's stock is listed on the  
NASDAQ National Market under  
the symbol "MTEX".

### COMMON STOCK PRICE

	<i>Low</i>	<i>High</i>
<b>2003:</b>		
First Quarter	\$ 1.49	\$ 5.56
Second Quarter	\$ 2.12	\$ 7.93
Third Quarter	\$ 5.04	\$ 8.68
Fourth Quarter	\$ 5.52	\$14.00
<b>2004:</b>		
First Quarter	\$ 8.52	\$15.08
Second Quarter	\$ 9.26	\$12.76
Third Quarter	\$ 8.75	\$14.92
Fourth Quarter	\$13.75	\$23.99

As of March 23, 2005, there were approximately 4,200 shareholders of record and the total number of outstanding shares of its common stock was 27,112,627. Mannatech declared \$0.27 per share in cash dividends during the 2004 year and paid \$0.20 per share during the 2004 year.

### Special Note Regarding Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by use of phrases or terminology such as "may," "believes," and "plans," or other similar words or the negative of such terminology. Similarly, descriptions of Mannatech's objectives, strategies, plans, goals, or targets contained herein are also considered forward-looking statements. Mannatech cautions its readers that these forward-looking statements speak only of the date of this report and are subject to certain known and unknown events, risks, uncertainties, and other factors. Some of these factors include, among others, Mannatech's inability to attract and retain independent associates and members, increases in competition, litigation, regulatory changes, and its planned growth into new international markets. Although Mannatech believes that its expectations, statements, and assumptions reflected in these forward-looking statements are reasonable, it cautions its readers to always consider all of the risk factors and any other cautionary statements carefully in evaluating each forward-looking statement in this report. For further discussion of these and other factors that could affect Mannatech's future results, readers of this report should refer to the various reports and documents filed with the United States Securities and Exchange Commission ("SEC").



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