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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2000

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-24657

MANNATECH, INCORPORATED  
(Exact Name of Registrant as Specified in its Charter)

Texas  
(State or other Jurisdiction of  
Incorporation or Organization)

75-2508900  
(I.R.S. Employer  
Identification No.)

600 S. Royal Lane, Suite 200  
Coppell, Texas  
75019  
(Address of Principal Executive Offices, including Zip Code)

Registrant's Telephone Number, including Area Code: (972) 471-7400

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  No

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As of October 31, 2000, the number of shares outstanding of the  
registrant's sole class of common stock, par value \$0.0001 per share was  
24,983,538.

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

MANNATECH, INCORPORATED  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except share information)

ASSETS	December 31, 1999	September 30, 2000 (Unaudited)
	-----	-----
Cash and cash equivalents	\$ 11,576	\$ 7,470
Short-term investments	1,388	233
Accounts receivable, less allowance for doubtful accounts of \$58..	275	247
Income tax receivable	-	1,453
Current portion of notes receivable - shareholders	158	185
Inventories	13,318	14,231
Prepaid expenses	728	1,118
Deferred tax assets	564	541
	-----	-----
Total current assets	28,007	25,478
Property and equipment, net	14,093	14,558
Notes receivable-shareholders, excluding current portion	543	384
Other assets	2,136	1,389
	-----	-----
Total assets	\$ 44,779	\$ 41,809
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of capital leases and note payable	\$ 732	\$ 476
Accounts payable	1,890	919
Accrued expenses	13,722	14,804
	-----	-----
Total current liabilities	16,344	16,199
Capital leases and note payable, excluding current portion	326	38
Deferred tax liabilities	817	823
	-----	-----
Total liabilities	17,487	17,060
	-----	-----
Commitments and contingencies	-	-
Commitment to repurchase common stock	-	1,000
	-----	-----
Shareholders' equity:		
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 24,790,601 and 24,774,293 shares issued and outstanding in 1999 and 25,026,301 and 24,983,538 in 2000	2	2
Additional paid-in capital	17,348	17,916
Note receivable from shareholder	--	(417)
Retained earnings	10,146	7,530
Accumulated other comprehensive income - foreign currency translation adjustment	-	5
	-----	-----
	27,496	25,036
Less treasury stock, at cost, 16,308 shares in 1999 and 42,763 shares in 2000 and commitment to purchase treasury stock of \$1.0 million in 2000	(204)	(1,287)
	-----	-----
Total shareholders' equity	27,292	23,749
	-----	-----
Total liabilities, repurchase of stock and shareholders' equity	\$ 44,779	\$ 41,809
	=====	=====

See accompanying notes to consolidated financial statements.

MANNATECH, INCORPORATED  
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)  
FOR THE THREE MONTHS ENDED AND THE NINE MONTHS ENDED  
SEPTEMBER 30, 1999 AND 2000  
(in thousands, except per share information)

	Three months ended September 30		Nine months ended September 30	
	1999	2000	1999	2000
Net Sales.....	\$45,814	\$ 36,171	\$133,465	\$115,753
Cost of Sales.....	7,657	6,574	21,717	20,422
Commissions.....	18,353	14,824	54,334	47,206
	26,010	21,398	76,051	67,628
Gross profit.....	19,804	14,773	57,414	48,125
Operating Expenses:				
Selling and administrative expenses.....	8,839	8,179	26,200	27,113
Other operating costs.....	6,231	8,549	18,339	23,922
Write-off of fixed asset.....	-	-	-	870
Total operating expenses.....	15,070	16,728	44,539	51,905
Income (loss) from operations.....	4,734	(1,955)	12,875	(3,780)
Interest income.....	233	139	406	561
Interest expense.....	(31)	(15)	(123)	(59)
Other income (expense), net.....	84	(250)	(133)	(383)
Income (loss) before income taxes.....	5,020	(2,081)	13,025	(3,661)
Income tax (expense) benefit.....	(1,832)	558	(4,754)	1,045
Net income (loss).....	\$ 3,188	\$ (1,523)	\$ 8,271	\$ (2,616)
Earnings (loss) per common share:				
Basic.....	\$ 0.13	\$ (0.06)	\$ 0.35	\$ (0.10)
Diluted.....	\$ 0.12	\$ (0.06)	\$ 0.33	\$ (0.10)
Weighted-average common shares outstanding				
Basic.....	24,532	24,984	23,941	24,945
Diluted.....	25,678	24,984	25,320	24,945
Dividends declared per common share.....	\$ 0.00	\$ 0.00	\$ 0.06	\$ 0.00

See accompanying notes to consolidated financial statements.

MANNATECH, INCORPORATED  
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 2000  
(in thousands)

	1999	2000
	-----	-----
Cash flows from operating activities:		
Net income (loss).....	\$ 8,271	\$ (2,616)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization.....	2,210	2,662
Write-off of fixed asset.....	--	870
Loss on disposal of assets.....	44	423
Tax benefit of warrants and options exercised.....	3,270	239
Deferred income tax expense.....	-	29
Changes in operating assets and liabilities:		
Accounts and income tax receivables.....	54	(1,425)
Inventories.....	(1,528)	(913)
Prepaid expenses.....	(580)	(390)
Other assets.....	120	151
Accounts payable.....	(4,810)	(971)
Accrued expenses.....	1,923	1,082
	-----	-----
Net cash provided by (used in) operating activities.....	8,974	(859)
	-----	-----
Cash flows from investing activities:		
Acquisition of property and equipment and construction in progress.....	(1,475)	(4,420)
Purchase of investments.....	(1,688)	-
Maturities of investments.....	-	1,751
Repayment by shareholders/related party receivables.....	974	132
	-----	-----
Net cash used in investing activities.....	(2,189)	(2,537)
	-----	-----
Cash flows from financing activities:		
Payment of dividends.....	(1,327)	-
Repayment of capital lease obligations.....	(439)	(403)
Proceeds from the initial public offering.....	12,000	-
Proceeds from warrants.....	641	-
Proceeds from stock option exercises.....	539	328
Payment of note payable.....	(144)	(140)
Advance to shareholder.....	-	(500)
Deferred offering costs.....	(615)	-
	-----	-----
Net cash provided by (used in) financing activities.....	10,655	(715)
	-----	-----
Effect of exchange rate changes on cash.....	-	5
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	17,440	(4,106)
Cash and cash equivalents:		
Beginning of period.....	763	11,576
	-----	-----
End of period.....	\$ 18,203	\$ 7,470
	=====	=====
Supplemental disclosure of cash flow information:		
Income taxes paid.....	\$ 4,671	\$ 254
	=====	=====
Interest paid.....	\$ 99	\$ 59
	=====	=====
Commitment to repurchase stock from shareholder.....	\$ -	\$ 1,000
	=====	=====
Treasury shares received for the payment of note receivable due from shareholder.....	\$ -	\$ 83
	=====	=====

See accompanying notes to consolidated financial statements.

MANNATECH, INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mannatech, Incorporated (the "Company") was incorporated in the State of Texas on November 4, 1993, as Emprise International, Inc. Effective October 25, 1995, the Company changed its name to Mannatech, Incorporated. The Company, located in Coppell, Texas, develops and sells proprietary nutritional supplements and topical products through a network marketing system. The Company currently sells its products in the United States, Canada, Australia, the United Kingdom and Japan. Independent associates ("Associates") purchase products at wholesale for the primary purpose of selling to retail consumers or for personal consumption. In addition, Associates earn commissions on their downline growth and sales volume. The Company has eight wholly-owned subsidiaries located throughout the world for the purpose of conducting business in the related country. The wholly-owned subsidiaries are as follows:

Wholly-owned Subsidiary Name	Date Incorporated	Location of Subsidiary	Dated Began Operations
Mannatech Australia Pty Limited	April 22, 1998	St. Leonards, Australia	October 1, 1998
Mannatech Limited	December 1, 1998	Republic of Ireland	Dormant pending start up operations
Mannatech Ltd.	November 18, 1998	Basingstoke, Hampshire U.K.	November 15, 1999
Mannatech Payment Services Incorporated	April 11, 2000	Coppell, Texas	June 26, 2000 facilitating payment services for Mannatech Japan, Inc.
Mannatech Foreign Sales Corporation	May 1, 1999	Barbados	May 1, 1999 acting as a foreign sales corporation
Internet Health Group, Inc.	May 7, 1999	Coppell, Texas	December 20, 1999 operating through its website "clickwell.com"
Mannatech Japan, Inc.	January 21, 2000	Tokyo, Japan	June 26, 2000
Mannatech Limited	February 14, 2000	New Zealand	Dormant pending start up operations

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. 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, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company's financial information for the periods presented. The consolidated results of operations of any interim period are not necessarily indicative of the consolidated results of operations to be expected for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 1999.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

## Earnings (Loss) Per Share

The Company calculates earnings (loss) per share pursuant to Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("FAS 128"). FAS 128 requires dual presentation of basic and diluted earnings (loss) per share ("EPS") on the face of the consolidated statement of operations for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS calculations are based on the weighted-average number of common shares outstanding during the period, while diluted EPS calculations are calculated using the weighted-average number of common shares and dilutive common share equivalents outstanding during each period. At September 30, 2000, all of the 3,863,952 common stock options were excluded from the dilutive EPS calculation as their effect was antidilutive.

The following data show the amounts used in computing earnings (loss) per share and the effect on the weighted-average number of shares of dilutive common share equivalents for the three months ended September 30, 1999 and 2000. The amounts are rounded to the nearest thousands except for per share amounts.

	1999			2000		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Loss) (Numerator)	Shares (Denominator)	Per Share Amount
<b>Basic EPS:</b>						
Net income (loss) available to to common shareholders	\$ 3,188	24,532	\$ 0.13	\$ (1,523)	24,984	(\$0.06)
<b>Effect of dilutive securities:</b>						
Stock options	--	1,146		--	--	
<b>Diluted EPS:</b>						
Net income (loss) available to common shareholders plus assumed conversions	\$ 3,188	25,678	\$ 0.12	\$ (1,523)	24,984	(\$0.06)

The following data show the amounts used in computing earnings (loss) per share and the effect on the weighted-average number of shares of dilutive common share equivalents for the nine months ended September 30, 1999 and 2000. The amounts are rounded to the nearest thousands except for per share amounts.

	1999			2000		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Loss) (Numerator)	Shares (Denominator)	Per Share Amount
<b>Basic EPS:</b>						
Net income (loss) available to to common shareholders	\$ 8,271	23,941	\$ 0.35	\$ (2,616)	24,945	(\$0.10)
<b>Effect of dilutive securities:</b>						
Stock options	--	1,379		--	--	
<b>Diluted EPS:</b>						
Net income (loss) available to common shareholders plus assumed conversions	\$ 8,271	25,320	\$ 0.33	\$ (2,616)	24,945	(\$0.10)

## Accumulated Other Comprehensive Income

Unlike the Company's other subsidiaries, the local currency for its Japan subsidiary is considered its functional currency. In the consolidated financial statements, when the subsidiary's local currency is considered the functional currency, all of its assets and liabilities are translated into U.S. dollars at exchange rates existing at the balance sheet dates, revenues and expenses are translated at weighted-average exchange rates, and shareholders' equity and intercompany accounts are translated at historical exchange rates. The foreign currency translation adjustment is

recorded as a separate component of shareholders' equity and included as accumulated other comprehensive income as required under Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income." Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The total comprehensive loss, rounded to the nearest thousand, for the three months and nine months ended September 30, 2000 would be \$1,518 and \$2,611, respectively. The total comprehensive loss includes our net loss plus the accumulated comprehensive income of \$5.

NOTE 2 INVENTORIES

Inventories consist of raw materials and finished goods and are stated at the lower of cost (using the first-in, first-out method) or market. At December 31, 1999 and September 30, 2000 inventories, rounded to the nearest thousands, consist of the following:

	1999	2000
	-----	-----
Raw materials.....	\$ 5,788	\$ 6,074
Finished goods.....	7,530	8,157
	-----	-----
	\$ 13,318	\$ 14,231
	=====	=====

NOTE 3 ASSET IMPAIRMENT LOSS

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," the Company recorded an impairment loss on the long-lived asset of its subsidiary Internet Health Group, Inc. as the trend in sales for the subsidiary indicated that the undiscounted future cash flows from its operation would be less than the carrying value of the long-lived asset related to their operation. Accordingly, in the quarter ended June 30, 2000, the Company recognized an asset impairment loss of \$870,000. The impairment loss was measured as the difference between the carrying value of the asset and the fair value of the asset based on discounted estimated future cash flows.

NOTE 4 RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Financial Accounting Standard No. 133, "Accounting for Derivative, Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative financial instruments, including certain derivative financial instruments imbedded in other contracts and for hedging activities. In June 1999, the Financial Accounting Standards Board issued Financial Accounting Standard No. 137, which defers the effective date of Financial Accounting Standard No. 133 to fiscal years beginning after June 15, 2000. Management does not believe this pronouncement will have a material impact on us.

In December 1999, the Securities and Exchange Commission ("Commission") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101") which provides guidance on revenue recognition issues. In June 2000, the Commission issued Staff Accounting Bulletin No. 101B, "Second Amendment: Revenue Recognition in Financial Statements" which delayed the implementation of SAB 101 until the fourth fiscal quarter of fiscal years beginning after December 15, 1999. Management does not believe the implementation of SAB 101 will have a material effect on their financial position or results of operations.

NOTE 5 RELATED PARTY TRANSACTIONS

On August 8, 2000, the Company loaned Mr. Charles Fioretti \$500,000. The loan is collateralized by 174,570 shares of Mr. Fioretti's stock. The outstanding balance of the note will be repaid in six successive monthly installments of 26,455 shares of his common stock valued at \$83,333.33 beginning on September 3, 2000 and continuing through February 3, 2001.

On August 8, 2000, the Company also entered into a lockup and repurchase agreement with Mr. Charles Fioretti. Under the terms of the agreement, the Company agreed to buy \$1.0 million worth of Mr. Fioretti's stock. The commitment to repurchase is included in treasury stock on the balance sheet. The Company agreed to repurchase his stock, on a monthly basis, beginning on March 3, 2001 through February 3, 2002. The Company agreed to buy \$83,333.33 worth of his stock, valued at 90% of the fair market value price on the close of that business day. Mr.

Charles Fioretti is prohibited from selling any of his shares through March 2, 2002, unless approved by the Board of Directors. Beginning March 3, 2002, the Company will have the option, but not the obligation to repurchase on a monthly basis, at least \$100,000 worth of his stock, valued at the greater of 90% of the fair market value or \$2.00 per share. As long as the Company exercises this option, Mr. Fioretti will be prohibited from selling any of his shares.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to assist in the understanding of Mannatech's financial position and results of operations for the three months and nine months ended September 30, 2000 compared to the same periods in 1999. The Consolidated Financial Statements and related Notes should be referred to in conjunction with this discussion. Unless we state otherwise, all financial information presented below, throughout this report and in the Consolidated Financial Statements and related Notes includes Mannatech and all of its subsidiaries on a consolidated basis.

### Overview

We develop and sell proprietary nutritional supplements and topical products through a network marketing system. We currently sell our products in the United States, Canada, Australia, the United Kingdom and Japan, through a worldwide network of approximately 274,000 active associates as of September 30, 2000, compared to approximately 253,000 active associates as of September 30, 1999. We continue to explore the most efficient way to enter the New Zealand market, but have postponed opening until sometime late next year.

Our basic earnings (loss) per share was (\$0.10) for the nine-months ended September 30, 2000 compared to \$0.35 per share for the nine-months ended September 30, 1999. This decrease was primarily due to the following:

- . a decrease in sales of \$17.7 million;
- . spending \$2.2 million on expenses for our subsidiary, Internet Health Group, Inc., including a one time write-off of fixed asset software, in the second quarter, totaling \$870,000;
- . \$3.5 million for start-up expenses relating to our new Japanese operation; and
- . some additional expenses incurred with the development of the United Kingdom operations, which began in November 1999.

Internet Health Group, Inc., our subsidiary, which sells various nonproprietary vitamins and nutritional supplements through its website - clickwell.com, has continued to report disappointing results since its inception in December 1999. For the nine months ended September 30, 2000, we recorded a loss before income taxes of approximately \$2.2 million, for the subsidiary. The loss included the previously mentioned write-off of their fixed asset software. In November 2000, Mannatech's Board of Directors approved the plan to cease operations of this subsidiary by year-end, which will include the liquidation of their inventory, currently valued at \$848,000. The liquidation could result in a further loss or write down for the fourth quarter. Meanwhile, we have significantly reduced the subsidiary's operating expenses. The subsidiary has two lease agreements and one agreement relating to its website that are noncancelable and remain in effect through December 2002. Management will contact these vendors to cancel these agreements; but if we are unsuccessful, the remaining payments, reduced by the sublease relating to these three noncancelable agreements through December 2002 are approximately \$366,000.

Management expects the negative trend in sales to continue in the fourth quarter of 2000. Management is looking into ways to reverse the recent sales trend and return the Company to profitability. In the future we expect our international operations to account for an increasing percentage of our consolidated net sales, as we opened our Japan operations on June 26, 2000. During the nine months ended September 30, 2000, the percentages of consolidated net sales were as follows:

Nine-months ended	U.S.	Canada	Australia	U.K.	Japan	Total
September 30, 2000	77.1%	13.4%	6.3%	1.2%	2.0%	100.0%
September 30, 1999	77.0%	14.4%	8.6%	0.0%	0.0%	100.0%

Net sales for the United States, Canada and Australia continue to decrease as compared to the same period in 1999. We believe the decrease is due to our associates in the United States, Canada and Australia concentrating their efforts on the development of their presence in the United Kingdom and Japan and some of our associates exploring new competitive Internet networking companies as a way to supplement their income. In addition, associates may have been concerned about management changes and the decline of our stock price due to heavy trading by a former officer. This former officer continues to sell his stock as Mannatech tried unsuccessfully to negotiate with him to sign a lock up agreement. As a result, the Board approved a repurchase plan to help stabilize the price of our stock as a result of significant selling of stock by the former officer. We are also exploring ways to simplify our worldwide compensation program, offering more incentive programs and revamping the training program for our associates. On October 28, 2000, we introduced a new product, ImmunoStart™ Chewables, which help to trigger the immune responses immediately by binding to specific receptor sites, which send signals directly to the lymphatic system. ImmunoStart (TM) Chewables are designed to boost the immune response when taken with our Ambrotose products. We also plan to introduce other new products in early 2001, which we hope will further complement our current line of products and boost sales.

Our revenues are primarily derived from sales of our products and our associate starter and renewal packs, which include some combination of our products and promotional materials. The purchase of a starter or renewal pack allows the associate to purchase products at wholesale prices. If the associate purchases a pack with a wholesale price of \$300 or higher, the associate also receives a \$50 credit toward admission to one of our corporate events. We offer a comparable associate starter pack in each country in which we do business; however, each country has different regulatory guidelines that must be followed and therefore not all types of packs are offered in all countries.

We generally recognize revenues when products or promotional materials are shipped. Our revenues are based primarily on the wholesale prices of the products sold. On average, the wholesale value of the nutritional and topical products contained in each of our packs is between 60% and 70% of the total wholesale value of the packs and the other 30% to 40% of the total wholesale value consists of various promotional materials. Revenues from promotional packs are allocated between products and corporate event admission based on the proportionate fair value of these items. We defer revenue received from the sale of our promotional packs to the extent that the sales price is greater than the wholesale value of the individual items included in such packs. Allocated event revenues are also deferred. All deferred revenue is amortized over a 12-month period. Total deferred revenue was approximately \$845,000 at December 31, 1999 and \$216,000 at September 30, 2000, respectively.

Associates are compensated by commissions and incentives, which are our most significant expense; however, the commission structure is designed not to materially exceed 42% of commissionable net sales. Commissions and incentives are paid to associates based on the following:

- . their placement and position within our compensation plan;
- . volume of direct commissionable sales;
- . number of new enrolled associates; and
- . obtainment of certain levels to qualify for incentive programs.

Our United States federal statutory tax rate is between 34% and 35%. We pay taxes in Australia at a statutory tax rate of 36% and in the United Kingdom at 31%. We expect to pay taxes in Japan at a statutory tax rate ranging from 42% to 54%. We also pay taxes in various state jurisdictions at an approximate average statutory tax rate of 3%. As our international expansion continues, a portion of our income will be subject to taxation in the countries in which we operate. We may receive foreign tax credits that would reduce the amount of United States taxes we owe, based upon

the amount of foreign taxes paid. We may not be able to use all of such foreign tax credits in the United States. The use of the foreign tax credits is based upon the proportionate amount of net sales in each country. Because some of the countries that we have expanded to or plan to have maximum statutory tax rates higher than the United States tax rate, therefore we may pay a higher overall effective tax rate on our consolidated operations or have net operating losses in foreign countries, which may not be fully realized. For example, our first year of Japanese operations will have a net operating loss, which we plan to utilize in the future as their operation expands; however, the income tax benefit will not be recognized until profitable operations are evident.

#### Results of Operations

The following table summarizes Mannatech's operating results as a percentage of net sales for each of the periods indicated.

	Three months ended September 30		Nine months ended September 30	
	1999	2000	1999	2000
Net sales.....	100.0%	100.0%	100.0%	100.0%
Cost of sales.....	16.7	18.2	16.3	17.6
Commissions.....	40.1	41.0	40.7	40.8
Gross profit.....	43.2	40.8	43.0	41.6
Operating expenses:				
Selling and administrative expenses.....	19.3	22.6	19.6	23.4
Other operating costs.....	13.6	23.6	13.7	20.7
Write off of fixed asset.....	0.0	0.0	0.0	0.8
Income (loss) from operations.....	10.3	(5.4)	9.7	(3.3)
Interest income.....	0.5	0.4	0.3	0.5
Interest expense.....	(0.0)	(0.0)	(0.1)	(0.1)
Other income (expense), net.....	0.2	(0.8)	(0.1)	(0.3)
Income (loss) before income taxes.....	11.0	(5.8)	9.8	(3.2)
Income tax (expense) benefit.....	(4.0)	1.6	(3.6)	0.9
Net income (loss).....	7.0%	(4.2)%	6.2%	(2.3)%
Number of starter packs sold.....	31,299	24,493	97,103	88,066
Number of renewal packs sold.....	20,689	16,215	48,482	48,779
Total number of packs sold.....	51,988	40,708	145,585	136,845
Total associates canceling associate status.....	1,608	1,182	4,392	4,903

Three months ended September 30, 2000 compared with the three months ended September 30, 1999

Net Sales. Net sales decreased (21.0%) to \$36.2 million for the three months ended September 30, 2000 from \$45.8 million for the comparable period in 1999. The net sales for United States, Canada and Australia decreased as compared to the same period in 1999. We believe this decrease was the result of many of our associates concentrating their efforts on developing a presence in Japan and concerns about recent management changes. The overall decrease, was primarily composed of the following:

- . A \$1.2 million increase from the sale of our optimal health kit introduced in June 2000. Mannatech concentrated on formulating our existing products to meet the international countries' guidelines rather than focusing on launching new products; however, now that our main line of products are registered in all of the new countries, Mannatech can refocus on the introduction of new products. Mannatech announced a new product - ImmunoStart(TM) Chewables on October 28, 2000.

- . A (\$9.4) million decrease in existing product sales resulting from a decrease in the volume of products sold, which was partially offset by sales from the opening of the United Kingdom operations in November 1999 and the Japan operations in June 2000.
- . A (\$1.4) million decrease in associate pack sales resulting from a decrease in the number sold and the change in the mix of associate packs sold to new associates and for associate renewal packs sold. We are currently exploring ways to change our packs to increase the number of associate packs and renewal packs sold.

Cost of Sales. Cost of sales decreased (14.3%) to \$6.6 million for the three months ended September 30, 2000 from \$7.7 million for the comparable period in 1999. As a percentage of net sales, cost of sales increased to 18.2% for the three months ended September 30, 2000 from 16.7% for the comparable period in 1999. The increase in cost of sales as a percentage of net sales was primarily due to a change in the product mix sold. The dollar amount decrease was due to the decrease in the volume of finished goods sold and a decrease of (\$209,000) for write-offs of discontinued promotional materials, normal inventory shrinkage and inventory given away as samples and charitable contributions, offset by an increase in freight of \$100,000 for shipping finished product to the United Kingdom and Japan.

Commissions. Commissions consist of payments to associates for sales activity and down line growth. Commissions decreased (19.6%) to \$14.8 million for the three months ended September 30, 2000 from \$18.4 million for the comparable period in 1999. As a percentage of net sales, commissions increased to 41.0% for the three months ended September 30, 2000 from 40.1% for the comparable period in 1999. The dollar amount of the decrease in commissions was a direct result of decreased commissionable sales offset slightly by the introduction and payout of some new incentive programs for our associates.

Gross Profit. Gross profit decreased (25.3%) to \$14.8 million for the three months ended September 30, 2000 from \$19.8 million for the comparable period in 1999. As a percentage of net sales, gross profit decreased to 40.8% for the three months ended September 30, 2000 from 43.2% for the comparable period in 1999. These changes were primarily attributable to the factors described above.

Selling and Administrative Expenses. Selling and administrative expenses consist of human resource expenses, including wages, bonuses, printing, recruiting, marketing expenses and associate events and are a mixture of both fixed and variable expenses. Selling and administrative expenses decreased (6.8%) to \$8.2 million for the three months ended September 30, 2000 from \$8.8 million for the comparable period in 1999. As a percentage of net sales, selling and administrative expenses increased to 22.6% for the three months ended September 30, 2000 from 19.3% for the comparable period in 1999. The dollar decrease was due primarily to the following:

- . a decrease of (\$968,000) in freight and warehousing costs due to the decrease in sales;
- . an increase of \$326,000 in wages and benefits primarily due to increased wages and recruiting fees related to the Japan expansion, which was partially offset by a decrease in bonuses to executives of (\$170,000);
- . a decrease of (\$605,000) related to advertising expense incurred in 1999 for our website subsidiary, which was not incurred in 2000;
- . an increase of \$391,000 for hosting our national events and associate events held overseas; and
- . an increase of \$148,000 related to printing costs associated with the expansion into new countries;

Other Operating Costs. Other operating costs include utilities, depreciation, consulting, professional fees, office supplies and travel expenses. Other operating costs increased 37.1% to \$8.5 million for the three months ended September 30, 2000 from \$6.2 million for the comparable period in 1999. As a percentage of net sales, other operating costs increased to 23.6% for the three months ended September 30, 2000 from 13.6% for the comparable period in 1999. The dollar increase was primarily due to the following:

- . an increase of approximately \$945,000 related to consulting services, including accounting and legal fees for the start up of our international expansion into the United Kingdom and Japan;
- . an increase of \$447,000 in travel expenses, of which \$300,000 is related to the new incentive trip to Hawaii for our associates and \$147,000 is related to traveling to our international subsidiaries for the opening of the Japanese operations;
- . an increase of approximately \$200,000 related to various general and administrative expenses such as building rent for our overseas offices, insurance, depreciation, postage and telephone related to international expansion into the United Kingdom and Japan; and
- . an increase of approximately \$692,000 in fees charged by third party processors for our international sales and distribution facilities.

Interest Income. Interest income decreased (40.3%) to \$139,000 for the three months ended September 30, 2000 from \$233,000 for the comparable period in 1999. As a percentage of net sales, interest income decreased to 0.4% for the three months ended September 30, 2000 from 0.5% for the comparable period in 1999. The decrease was the result of using some of our investments to fund current year operational losses.

Interest Expense. Interest expense decreased (51.6%) to \$15,000 for the three months ended September 30, 2000 from \$31,000 for the comparable period in 1999. As a percentage of net sales, interest expense remained the same for the three months ended September 30, 2000 and for the comparable period in 1999. The dollar decrease was due primarily to the reduction of the two lease agreements with a bank for purchase of various equipment for our warehouse and laboratory facility.

Other Income (Expense), Net. Other income (expense) consists of tax penalties, miscellaneous income, foreign currency exchange and nonoperating items. Other income (expense) increased to (\$250,000) for the three months ended September 30, 2000 from \$84,000 for the comparable period in 1999. As a percentage of net sales, other income (expense) increased to (0.8%) for the three months ended September 30, 2000 from 0.2% for the comparable period in 1999. For the three months ended September 30, 2000, other income (expense) consisted of (\$133,000) loss on disposal of obsolete computer equipment and (\$108,000) in currency exchange losses due to translation fluctuations. For the three months ended September 30, 1999, other income (expense) consisted of \$70,000 of currency exchange gains due to translation fluctuations.

Income Tax (Expense) Benefit. Income tax (expense) benefit was \$558,000 for the three months ended September 30, 2000 and (\$1.8) million for the comparable period in 1999. The effective tax rate decreased to 26.8% for the three months ended September 30, 2000 from 36.5% for the comparable period in 1999. Our effective tax rate decreased primarily as a result of recording certain nondeductible expenses and recording the income tax benefit expected from the current year net loss from operations.

Net Income (Loss). For the three months ended September 30, 2000 we had a net loss of (\$1.5) million compared to net income of \$3.2 million for the comparable period in 1999. As a percentage of net sales, the net income (loss) decreased to (4.2%) for the three months ended September 30, 2000 compared to 7.0% in 1999. The dollar amount of the decrease was due primarily to net sales decreasing by (21.0%), expenses incurred for our international expansion and our website subsidiary and other factors described above.

Nine months ended September 30, 2000 compared with the nine months ended September 30, 1999

Net Sales. Net sales decreased (13.3%) to \$115.8 million for the nine months ended September 30, 2000 from \$133.5 million for the comparable period in 1999. The net sales for United States, Canada and Australia decreased as compared to the same period in 1999. We believe this decrease was the result of many of our associates concentrating their efforts on developing a presence in the United Kingdom and Japan as well as concerns over recent management changes. The overall decrease in net sales was primarily composed of the following:

- . A \$2.5 million increase from the sale of our optimal health kits introduced in June 2000. Mannatech concentrated on formulating our existing products to meet the international countries' guidelines rather than focusing on launching new products; however, now that our main line of products are registered in all of the new countries, Mannatech can refocus on the introduction of new products. Mannatech announced a new product - ImmunoStart(TM) Chewables on October 28, 2000.
- . A (\$17.7) million decrease in existing product sales resulting from a decrease in the volume of products sold, which was partially offset by the opening of the United Kingdom operations in November 1999 and Japan operation in June 2000.
- . A (\$2.5) million decrease in associate pack sales resulting from a decrease in the number sold and changes in the mix of associate packs sold to new associates and for associate renewal packs.

Cost of Sales. Cost of sales decreased (6.0%) to \$20.4 million for the nine months ended September 30, 2000 from \$21.7 million for the comparable period in 1999. As a percentage of net sales, cost of sales increased to 17.6% for the nine months ended September 30, 2000 from 16.3% for the comparable period in 1999. The increase in cost of sales as a percentage of net sales and decrease in the dollar amount was primarily due to the following:

- . a decrease in volume and change in mix of finished goods sold;
- . offset by the recording of write-offs of discontinued promotional materials totaling \$383,000;
- . recording \$367,000 for normal inventory shrinkage and inventory given away as samples and charitable contributions; and
- . an increase in freight of \$182,000 due to shipping finished product to the United Kingdom and Japan.

Commissions. Commissions consist of payments to associates for sales activity and downline growth. Commissions decreased (13.1%) to \$47.2 million for the nine months ended September 30, 2000 from \$54.3 million for the comparable period in 1999. As a percentage of net sales, commissions increased to 40.8% for the nine months ended September 30, 2000 from 40.7% for the comparable period in 1999. The dollar decrease was the direct result of a decrease in commissionable sales, which was partially offset by the following:

- . the introduction of new incentive programs for associates, including the fast start bonus program in the fourth quarter of 1999 and the personal consumption plan for the first six months of 2000; and
- . the start up of operations in the United Kingdom in November 1999 and Japan in June 2000.

Gross Profit. Gross profit decreased (16.2%) to \$48.1 million for the nine months ended September 30, 2000 from \$57.4 million for the comparable period in 1999. As a percentage of net sales, gross profit decreased to 41.6% for the nine months ended September 30, 2000 from 43.0% for the comparable period in 1999. These changes were primarily attributable to the factors described above.

Selling and Administrative Expenses. Selling and administrative expenses consist of human resource expenses, including wages, bonuses, printing, recruiting, marketing expenses and associate events and are a mixture of both fixed and variable expenses. Selling and administrative expenses increased 3.4% to \$27.1 million for the nine months ended September 30, 2000 from \$26.2 million for the comparable period in 1999. As a percentage of net sales, selling and administrative expenses increased to 23.4% for the nine months ended September 30, 2000 from 19.6% for the comparable period in 1999. The dollar amount of the increase was due primarily to the following:

- . \$700,000 increase related to hosting our national events, which includes events in Australia, United Kingdom and Japan and an increase in the attendance of our annual national event held in March 2000;
- . \$250,000 increase related to mailing and printing costs associated with international expansion, reports for public filings and hosting our first annual shareholders meeting;

- . \$214,000 increase related to advertising for our Internet Health Group, Inc. subsidiary and for our international operations;
- . \$546,000 increase in wages and benefits of which \$2.3 million related to our international expansion offset by the decrease in executive bonuses of (\$679,000) and a decrease in contract labor of (\$1 million); and
- . a decrease of (\$838,000) in freight related to the decrease in sales.

Other Operating Costs. Other operating costs include utilities, depreciation, consulting, professional fees, office supplies and travel expenses. Other operating costs increased 30.6% to \$23.9 million for the nine months ended September 30, 2000 from \$18.3 million for the comparable period in 1999. As a percentage of net sales, other operating costs increased to 20.7% for the nine months ended September 30, 2000 from 13.7% for the comparable period in 1999. The dollar amount of the increase was primarily due to the following:

- . an increase of approximately \$2.4 million related to consulting services, including accounting and legal fees for the start up of our international expansion into the United Kingdom and Japan and consultants for various corporate changes;
- . an increase of \$1.1 million related to travel expenses, which includes \$300,000 for the new incentive trip to Hawaii for our associates and \$800,000 related to the expansion into the United Kingdom and Japan;
- . an increase of approximately \$1.3 million related to various general and administrative expenses such as postage and depreciation; which was offset by the decrease in net sales;
- . an increase of approximately \$1.4 million in fees charged by third party processors for our international sales and distribution facilities due to the expansion into the United Kingdom and Japan; and
- . a decrease of (\$575,000) related to the buyout of the Ray Robbins royalty agreement in 1999 offset by the additional payment to him in 2000, of \$200,000.

Write off of fixed asset. In the second quarter of 2000, management determined our Internet Health Group, Inc. subsidiary's fixed asset with a book value of \$870,000 was impaired and should be written off. The write off was a result of the continuation of the poor performance of our subsidiary. Management has also reduced the subsidiary's future operating costs and approved the plan to cease its operations by year-end.

Interest Income. Interest income increased 38.2% to \$561,000 for the nine months ended September 30, 2000 from \$406,000 for the comparable period in 1999. As a percentage of net sales, interest income increased to 0.5% for the nine months ended September 30, 2000 from 0.3% for the comparable period in 1999. The dollar increase was primarily due to investing in certain investments for all of 2000 compared to the middle of 1999; which was offset by using some of the investments to fund current year operations.

Interest Expense. Interest expense decreased (52.0%) to \$59,000 for the nine months ended September 30, 2000 from \$123,000 for the comparable period in 1999. As a percentage of net sales, interest expense remained the same at 0.1% for the nine months ended September 30, 2000 and for the comparable period in 1999. The dollar decrease was due primarily to the reduction of the two lease agreements with a bank for the purchase of various equipment for our warehouse and laboratory facility.

Other Income (Expense), Net. Other income (expense) consists of tax penalties, miscellaneous income, foreign currency exchange and nonoperating items. Other income (expense) increased 188.0% to (\$383,000) for the nine months ended September 30, 2000 from (\$133,000) for the comparable period in 1999. As a percentage of net sales, other income (expense) increased to 0.3% for the nine months ended September 30, 2000 from 0.1% for the comparable period in 1999. For the nine months ended September 30, 2000, other income (expense) consisted of approximately (\$36,000) in sales tax payments and tax penalties, loss from the disposal of obsolete computer equipment of (\$133,000) and approximately (\$199,000) in currency

exchange losses due to translation fluctuations. For the nine months ended September 30, 1999, other income (expense) consisted primarily of tax penalties of (\$91,000) and (\$42,000) of loss from the disposal of computer hardware.

**Income Tax (Expense) Benefit.** Income tax (expense) benefit was \$1.0 million for the nine months ended September 30, 2000 and (\$4.8) million for the comparable period in 1999. The effective tax rate decreased to 28.5% for the nine months ended September 30, 2000 from 36.5% for the comparable period in 1999. Our effective tax rate decreased primarily as a result of recording certain nondeductible expenses and the income tax benefit expected from the current year net loss from operations.

**Net Income (Loss).** For the nine months ended September 30, 2000 we had a net loss of (\$2.6) million compared to net income of \$8.3 million for the comparable period in 1999. As a percentage of net sales the net income (loss) decreased to (2.3%) for the nine months ended September 30, 2000 compared to 6.2% in 1999. The dollar amount of the decrease was due to net sales decreasing by (13.3%); the \$870,000 write-off of fixed asset, operating losses from our subsidiary totaling \$2.2 million; \$3.5 million in expenses incurred related to our international expansion and associate events hosted by Mannatech and other factors as described above.

#### Liquidity and Capital Resources

In February 1999, we received approximately \$9.2 million in net proceeds from the sale of our common stock in our initial public offering. In the initial public offering, we sold 1,500,000 shares of our common stock, at \$8.00 per share and have used all of the proceeds. We used approximately \$6.3 million of our proceeds from the initial public offering for international expansion, primarily for product registration, initial inventory requirements and similar items and have used the remaining \$2.9 million to fund working capital and for general corporate purposes.

Our primary capital requirement is to fund working capital to support our international growth and fund current operations. We financed our operations, in 1999, primarily through cash flows from operating activities and proceeds from our initial public offering. As a result of our expenditures on the facilities, equipment and personnel necessary to support our international expansion, we had working capital of \$11.7 million as of December 31, 1999 compared to working capital of \$9.3 million at September 30, 2000. For the first nine months of 1999, we invested approximately \$1.5 million relating to property and equipment including the expansion into Australia and the United Kingdom. During the first nine months of 2000 we invested approximately \$4.4 million in property and equipment, including our expansion into the United Kingdom and Japan and opening our website subsidiary. All of these projects were financed through operating cash flow in 2000.

We paid approximately \$1.3 million in dividends to our shareholders in January and February of 1999. For the nine months ended September 30, 2000, current liabilities decreased due to a decrease in payables relating to the curtailment of expenses and a reduction in our international expansion expenses. We believe our existing facilities are sufficient to support any near-term growth.

In March and August 1998, we entered into two capital leases with principal amounts of \$631,000 and \$841,000, respectively. These capital leases bear interest at 9.3%, are collateralized by the leased assets and are payable in thirty-six monthly installments. In July 1998, we entered into a thirty-six month, unsecured note payable with a finance company to finance our three-year product liability insurance premium. The initial principal amount of this note was \$435,670, the interest rate is 8.0% and monthly installments are due through December 2000.

Net cash provided by (used in) operating activities was \$9.0 million for the nine months ended September 30, 1999 compared to (\$859,000) for the nine months ended September 30, 2000. During 1999, net income was partially offset by increases in inventories and other expenses related to our international expansion and a decrease in income tax payable of approximately \$3.0 million from the tax benefit related to the exercise of warrants and options. During the nine months ended September 30, 2000, we incurred a net loss, significantly due to the decrease in net sales, an increase in inventories, a decline in payables; increase in income tax receivable of \$1.5 million related to the current year net loss from operations; and expenses of approximately \$3.5 million for the start up operations in Japan and the United Kingdom.

Net cash used in investing activities was \$2.2 million for the nine months ended September 30, 1999 compared to \$2.5 million for the nine months ended September 30, 2000. In 1999, these activities consisted primarily of purchases of computer hardware, internal development of computer software and investing the net proceeds from the initial public offering into investments, offset by the repayment of the notes receivable due from certain shareholders to us of approximately \$974,000. In the first nine months of 2000, investing activities consisted of purchases of computer hardware and software, build out of our Japan facility and liquidation of investments. During the remainder of 2000, we intend to spend up to an additional \$300,000 for additional purchases of equipment for our international expansion into Japan. We believe the existing facilities and software program should be sufficient for our immediate needs; however, we are planning to change the network platform of our existing proprietary software and integrate it with the Internet over the next two years.

Net cash provided by (used in) financing activities totaled \$10.7 million for the nine months ended September 30, 1999 and (\$715,000) for the nine months ended September 30, 2000. In 1999, we paid dividends on a monthly basis to our shareholders in the amount of \$0.02-\$0.06 per share and paid dividends each month until the completion of the initial public offering on February 12, 1999. Our Board of Directors intends, from time-to-time, to reevaluate this policy after considering relevant factors, including the level of our net income and alternative uses of retained earnings. In February 1999, the gross initial public offering proceeds of approximately \$12.0 million were received. In the first nine months of 2000, we received approximately \$328,000 related to the exercise of 235,700 stock options at a price per share ranging from \$1.35 to \$2.00.

Our existing capital resources, including cash provided by (used in) operating activities, bank borrowings, limiting future international expansion, curtailment of operating expenses and the suspension of dividend payments to shareholders, should be adequate to fund our operations for at least the next twelve months. We have no present commitments or agreements with respect to any acquisitions or purchases of manufacturing facilities or new technologies. On August 8, 2000, we loaned Mr. Charles Fioretti \$500,000 and agreed to purchase \$1.0 million of his stock through February 2002. See item 5, on page 19 for a summary of terms. Mannatech also has agreed to reserve, for the next twelve months, up to \$2.0 million to buy back its stock, on the open market, under certain price conditions. As of this filing, we have not repurchased any of our shares in the open market. Changes could also occur that would consume available capital resources faster than anticipated. Our capital requirements depend on numerous factors, including:

- . the timing and pace of our entry into international markets;
- . growth in the number and retention of associates;
- . timing and amount of change to our existing global compensation plan; and
- . our research and development efforts, including launching new products.

If our existing capital resources are insufficient to meet our capital requirements, we will be required to raise additional funds. We cannot be sure that additional funding, if necessary, will be available on favorable terms, if at all.

#### Year 2000

Prior to January 1, 2000, there was a great deal of concern regarding the ability of computers to adequately distinguish 21st century dates from 20th century dates due to the two-digit date fields used by many computer systems and software programs. This inability to distinguish whether "00" means 1900 or 2000 may have resulted in failures or the creation of erroneous results. Most reports to date, however, are that computer systems are functioning normally and the compliance and remediation work accomplished leading up to 2000 was effective and prevented such problems.

We believe that our current versions of software products licensed from third parties are Year 2000 compliant; however, some of our suppliers may be running earlier versions of software products that may not be Year 2000 compliant. We have evaluated the Year 2000 readiness of our vendors and third parties and found no system failures. Furthermore, we currently are unaware of any material operational issues or costs associated with preparing and

maintaining our computer and technology systems for the Year 2000; however, we may still experience material unanticipated problems and costs caused by undetected errors or defects, which could seriously harm our business.

Our total cost associated with Year 2000 identification, remediation and testing was approximately \$100,000 and was funded through our operating cash flows. None of our applications failed to perform on January 1, 2000; however, computer experts have warned that there may still be residual consequences of the change in centuries. If we experience any application failures in 2000, it could result in a decrease in sales of our products or an increase in the allocation of resources to address the problem with the Year 2000. If this should occur, we would have to resort to temporary manual processing, which is not expected to have a material adverse impact on our short-term operations.

#### Recent Financial Accounting Standards Board Statements

In June 1998, the Financial Accounting Standards Board issued Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative financial instruments, including certain derivative financial instruments imbedded in other contracts and for hedging activities. In June 1999, the Financial Accounting Standards Board issued Financial Accounting Standard No. 137, which defers the effective date of Financial Accounting Standard No. 133 to fiscal years beginning after June 15, 2000. We do not believe this pronouncement will have a material impact on us.

In December 1999, the Securities and Exchange Commission ("Commission") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101") which provides guidance on revenue recognition issues. In June 2000, the Commission issued Staff Accounting Bulletin No. 101B, "Second Amendment: Revenue Recognition in Financial Statements" which delayed the implementation of SAB 101 until the fourth fiscal quarter of fiscal years beginning after December 15, 1999. We do not believe the implementation of SAB 101 will have a material effect on our financial position or results of operations.

#### Forward-Looking Statements

Some of our statements under "Legal Proceedings," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures about Market Risk," "Other Information" and elsewhere in this report may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are subject to certain events, risks and uncertainties that maybe outside of our control. These forward-looking statements include statements of:

- . management's plans and objectives for our future operations and future economic performance;
- . our capital budget and future capital requirements;
- . meeting our existing and future operating needs;
- . the level of future expenditures; including plans for any of our subsidiaries;
- . planned international expansion;
- . launching of new products;
- . revamping the existing compensation program; and
- . the outcome of regulatory and litigation matters, and the assumptions described in this report underlying such forward-looking statements.

Actual results and developments may differ materially from those expressed in or implied by such statements due to a number of factors, including, without limitation:

- . those described in the context of such forward-looking statements;
- . future product development and manufacturing costs;
- . timely development and acceptance of new products;
- . the entrance into new countries and markets;
- . the impact of competitive products and pricing;
- . the political and economic climate in which we conduct operations; and
- . the risk factors described from time-to-time in other documents and reports filed with the Securities and Exchange Commission.

In some cases, forward-looking statements are identified by terminology such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "approximates," "predicts," "potential" or "continue" or the negative of such terms and other comparable terminology.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor anyone else assumes responsibility for the accuracy and completeness of such statements and we are under no duty to update any of the forward-looking statements after the date of this report.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not engage in trading market risk sensitive instruments and do not purchase as investments, hedges that are likely to expose us to certain types of market risk including interest rate, commodity price or equity price risk. We have purchased investments but there has been no material change in our exposure to interest rate risk from our investments. We have not issued any debt instruments, entered into any forward or futures contracts, purchased any options or entered into any swaps.

We also are exposed to certain other market risks, including changes in currency exchange rates as measured against the United States dollar. The value of the United States dollar affects our financial results. Changes in exchange rates may positively or negatively affect our financial results (as expressed in United States dollars). When the United States dollar increases against currencies in which we sell products or a weakening exchange rate against currencies in which we incur costs, our net sales or costs may be adversely affected. We have established policies, procedures, and internal processes governing the management of market risk and the use of any financial instruments to manage our exposure to such risks. The sensitivity of earnings and cash flows to variability in currency exchange rate is assessed by applying an appropriate range of potential rate fluctuations to our assets, obligations and projected transactions denominated in foreign currency. Based upon our overall currency rate exposure at September 30, 2000, we do not believe that our present exposure to exchange rate fluctuations will have a material impact on our consolidated financial position or consolidated results of operations. However, the foreign currencies in which we have exposure to foreign currency exchange rate risk include Japan, Australia and the United Kingdom. The high and low exchange rates to the United States dollar, for each of these countries, during the first nine months of 2000 were as follows:

Country/Currency	High	Low
Australia/Dollar	.6685	.5358
United Kingdom/British Pound	1.6569	1.3945
Japan/Yen	111.7	101.3

Given the uncertainty of the exchange rate fluctuation against the United States dollar, we cannot determine the dollar effect, if any, of the fluctuation on our future business, product pricing, results of operations or financial condition. All statements other than historical information incorporated in this Item 3 are forward-looking statements.

The actual impact of future market changes could differ materially due to, among other things, factors discussed in this report.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

On May 19, 2000, our Notice of Opposition to the issuance of a registered trademark issued to IntraCell Nutrition, Inc. for the name "Manna" was rejected. Intracell has brought no action against us, contending any infringement by Mannatech on that of Intracell; although it could happen in the future. Nevertheless, if Intracell brings any infringement action against Mannatech, such action could have an adverse effect on our business, results of operations, financial condition and liquidity.

On August 13, 1999, Mannatech filed a lawsuit against Dr. Daryl See, in Federal District Court and on May 22, 2000, Mannatech agreed to dismiss all claims against Dr. Daryl See.

On May 30, 2000, Mannatech filed suit in the United States District Court of the Northern District of Texas, Dallas Division, against Gryphon Advisors II, L.L.C. a Delaware limited liability company. Mannatech alleges the amount billed for out-of-pocket expenses and advisory service fees totaling \$1.6 million was unreasonable and the Gryphon Advisors breached their Advisory Agreement. Under the Advisory Agreement, Gryphon was to provide advice on potential financing opportunities, acquisitions, the financial management of Mannatech and other issues. The advice should consist of all aspects of its capital structure, capital-raising transactions and assisting the Company in evaluating potential acquisition targets. On June 26, 2000, Gryphon Advisors filed a cross-action suit for breach of contract, fraud seeking the payment of the \$1.6 million and exemplary damages on its fraud claim. The case is in the discovery stage. Mannatech intends to vigorously fight these allegations; however, an adverse outcome of this claim could have a material effect on our business, results of operations, financial condition and liquidity.

On February 24, 2000, Ms. Caroline Rivers filed a class action complaint against Mannatech and three other defendants, in District Court, County of Boulder, State of Colorado; alleging breach of contract, negligence and that the defendants were marketing and selling illegal health insurance policies. On June 29, 2000, Mannatech's Motion for Dismissal was granted and all claims relating to the uncertified class action complaint were dismissed against Mannatech.

Except as described above, there were no other material changes in, or additions to, the legal proceedings previously reported in Mannatech's Annual Report on Form 10-K for 1999 as filed with the Commission on March 30, 2000 or in our Quarterly Report on Form 10-Q for our second quarter of 2000 as filed with the Commission on August 14, 2000.

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

Not applicable.

### Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

On August 2, 2000, the Board of Directors unanimously voted Mr. Samuel L. Caster as a Class II director to replace Mr. Chris T. Sullivan. In the future, the Board of Directors intends to add up to three additional independent directors whom they believe would strengthen our Board of Directors. The Board of Directors is especially interested in candidates who have multi-level marketing and significant management experience.

On August 8, 2000, an agreement between Mannatech and Mr. Charles E. Fioretti was entered into to purchase some of his stock and enter into an eighteen month lock up agreement. The terms of the agreement is as follows:

- . On August 8, 2000, Mannatech loaned Mr. Charles Fioretti \$500,000. The outstanding balance of the note will be repaid in six successive monthly installments of 26,455 shares of common stock (\$83,333.33 divided by the agreed price of stock on August 8, 2000 at \$3.50 times .90) beginning on September 3, 2000 and continuing through February 3, 2001, at which time any remaining balance will be due. The note is collateralized by 174,570 shares of stock owned by Mr. Fioretti.
- . From March 3, 2001 through February 3, 2002, Mannatech will repurchase \$83,333.33 of his stock on a monthly basis, valued at 90% of the fair market value price on the close of that business day.
- . Mr. Fioretti is prohibited from selling any shares, that he owns directly or indirectly for eighteen months beginning on August 8, 2000 unless it is approved by our Board of Directors.
- . Commencing on March 3, 2002 and on the third business day thereafter, Mannatech will have the right, but not the obligation, to purchase, on a monthly basis, at least \$100,000 worth of his stock, valued at the greater of 90% of the fair market value or \$2.00 per share.

On August 9, 2000 the Board of Directors approved up to \$2.0 million to be used to buy back our common stock, over the next twelve months, in the open market, under certain price conditions. As of September 30, 2000 Mannatech has not repurchased any of its shares on the open market. The Board of Directors also agreed to end the unsuccessful negotiations with Mr. William C. Fioretti, a former officer, to obtain a lock up agreement, as the terms he demanded were considered unreasonable.

On October 13, 2000, Mannatech hired Ms. Cynthia Tysinger to replace Mr. Eoin Redmond as the Chief Information Officer and Vice President. Ms. Tysinger was an associate and will be transferring her associate position to her father. Before being hired, Ms. Tysinger performed various consulting services for our Glycoscience website. Ms. Tysinger has more than twenty-six years of experience in the information technology industry and spent five years with GTE Information Systems Division in Virginia.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits required by Item 601 of Regulation S-K

- 3.1 Amended and Restated Articles of Incorporation of Mannatech, dated October 25, 1995, incorporated herein by reference to Exhibit 3.1 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 3.2 Second Amended and Restated Bylaws of Mannatech, dated August 26, 1997, incorporated herein by reference to Exhibit 3.2 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.

- 3.3 Amendment to the Bylaws of Mannatech dated May 19, 1998, incorporated herein by reference to Exhibit 3.3 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 3.4 Amendment to the Bylaws of Mannatech dated October 20, 1999, incorporated herein by reference to Exhibit 99 to Mannatech's Form 8-K (File No. 000-24657) filed with the Commission on November 3, 1999.
- 4 Specimen Certificate representing the common stock, par value \$0.0001 per share, of Mannatech, incorporated herein by reference to Exhibit 4.1 to Mannatech's Amendment No. 1 to Form S-1 (File No. 333-63133) filed with the Commission on October 28, 1998.
- 10.1 1997 Stock Option Plan dated May 20, 1997, incorporated herein by reference to Exhibit 10.1 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.2 1998 Incentive Stock Option Plan dated April 8, 1998, incorporated herein by reference to Exhibit 10.2 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.3 Option Agreement dated July 1, 1997 with Multi-Venture Partners, Ltd., incorporated herein by reference to Exhibit 10.7 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.4 Option Agreement dated October 19, 1999 with Steven A. Barker Ph.D., incorporated by reference to Exhibit 10.8 to Mannatech's 1999 Form 10-K (File No. 000-24657) filed with the Commission on March 30, 2000.
- 10.5 Form of Indemnification Agreement with a schedule of director signatures, incorporated herein by reference to Exhibit 10.8 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.6 Schedule of additional directors signatories relating to the Form of Indemnification Agreements in Exhibit 10.5 above, incorporated by reference to Exhibit 10.10 to Mannatech's 1999 Form 10-K (File No. 000-24657) filed with the Commission on March 30, 2000.
- 10.7 Letter of Understanding Regarding Development of Proprietary Information for Mannatech effective as of August 1, 1997, as amended, by and between Bill H. McAnalley, Ph.D. and Mannatech, incorporated herein by reference to Exhibit 10.12 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.8 Commercial Lease Agreement dated November 7, 1996 between MEPC Quorum Properties II Inc. and Mannatech, as amended by the First Amendment thereto dated May 29, 1997 and the Second Amendment thereto dated November 13, 1997, incorporated herein by reference to Exhibit 10.13 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.9 Commercial Lease Agreement dated May 29, 1997 between MEPC Quorum Properties II Inc. and Mannatech, as amended by the First Amendment thereto dated November 6, 1997, incorporated herein by reference to Exhibit 10.14 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.

- 10.10 Assignment of Patent Rights dated October 30, 1997 by and among Bill H. McAnalley, Ph.D., H. Reginald McDaniel, D. Eric Moore, Eileen P. Vennum and William C. Fioretti and Mannatech, incorporated herein by reference to Exhibit 10.15 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.11 Supply Agreement effective as of August 14, 1997 by and between Mannatech and Caraloe, Inc., incorporated herein by reference to Exhibit 10.17 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.12 Trademark License Agreement effective as of August 14, 1997 by and between Mannatech and Caraloe, Inc., incorporated herein by reference to Exhibit 10.19 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.13 Supply Agreement effective January 12, 2000 by and between Mannatech and Caraloe, Inc., incorporated herein by reference to Exhibit 10.17 to Mannatech's 1999 Form 10-K (File No. 000-24657) filed with the Commission on March 30, 2000.
- 10.14 Letter of Agreement from Mannatech to Michael L. Finney of LAREX, Incorporated dated December 23, 1997, incorporated herein by reference to Exhibit 10.20 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.15 Product Development and Distribution Agreement effective as of September 15, 1997 between New Era Nutrition Inc. and Mannatech, incorporated herein by reference to Exhibit 10.21 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.16 Summary of Management Bonus Plan, incorporated herein by reference to Exhibit 10.23 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.17 Individual Guaranty of Samuel L. Caster dated January 5, 1998, incorporated herein by reference to Exhibit 10.27 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.18 Individual Guaranty of Charles E. Fioretti dated January 5, 1998, incorporated herein by reference to Exhibit 10.28 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.19 Form of Employment Agreement entered into between Mannatech and each of Charles E. Fioretti, Patrick D. Cobb, Anthony E. Canale, Bill H. McAnalley and Deanne Varner, incorporated herein by reference to Exhibit 10.30 to Mannatech's Amendment No. 1 to Form S-1 (File No. 333-63133) filed with the Commission on October 28, 1998.
- 10.20 Employment Agreement dated November 1, 1999, entered into between Mannatech and Terry L. Persinger, incorporated herein by reference to Exhibit 10.25 to Mannatech's 1999 Form 10-K (File No. 000-24657) filed with the Commission on March 30, 2000.
- 10.21 Renewal and Extension Promissory Note dated February 17, 1999 in the amount of \$33,316.02 made by Patrick D. Cobb, incorporated herein by reference to Exhibit 10.25 to Mannatech's 1998 Form 10-K (File No. 000-24657) filed with the Commission on March 31, 1999.

- 10.22 Renewal and Extension Promissory Note dated February 17, 1999 in the amount of \$199,896.10 made by Samuel L. Caster, incorporated herein by reference to Exhibit 10.26 to Mannatech's 1998 Form 10-K (File No. 000-24657) filed with the Commission on March 31, 1999.
- 10.23 Renewal and Extension Promissory Note dated February 17, 1999 in the amount of \$199,896.09 made by Charles E. Fioretti, incorporated herein by reference to Exhibit 10.27 to Mannatech's 1998 Form 10-K (File No. 000-24657) filed with the Commission on March 31, 1999.
- 10.24 Form of Employment Agreement entered into between Mannatech and Robert M. Henry, incorporated herein by reference to Exhibit 10.24 to Mannatech's 2000 Form 10-Q (File No. 000-24657) filed with the Commission on March 30, 2000.
- 10.25 Consultancy Agreement dated June 1, 2000 by and between Mannatech, Incorporated and Samuel L. Caster incorporated herein by reference to Exhibit 10.25 to Mannatech's 2000 Form 10-Q (File No. 000-24657) filed with the Commission on August 14, 2000.
- 10.26 2000 Stock Option Plan, dated June 19, 2000 incorporated herein by reference to Exhibit 10.26 to Mannatech's 2000 Form 10-Q (File No. 000-24657) filed with the Commission on August 14, 2000.
- 10.27 Lock-up agreement between Mannatech and Charles E. Fioretti, dated August 8, 2000. incorporated herein by reference to Exhibit 10.27 to Mannatech's 2000 Form 10-Q (File No. 000-24657) filed with the Commission on August 14, 2000.
- 27\* Financial Data Schedule.

\* Filed herewith.

(b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MANNATECH, INCORPORATED

November 14, 2000

/S/ ROBERT M. HENRY

-----  
Robert M. Henry  
Chief Executive Officer

November 14, 2000

/S/ STEPHEN D. FENSTERMACHER

-----  
Stephen D. Fenstermacher  
Senior Vice President and Chief  
Financial Officer and principal  
financial officer

## INDEX TO EXHIBITS

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- 27\* Financial Data Schedule.

\* Filed herewith.



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AT SEPTEMBER 30, 2000 AND THE CONSOLIDATED STATEMENT OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.

YEAR	DEC-31-1999	SEP-30-2000
		7,470
		541
		2,327
		58
		14,231
	25,478	22,856
		8,298
	41,809	
	16,199	0
	0	0
		2
		17,504
41,809		115,753
	115,753	20,422
		99,111
		383
		0
		59
		(3,661)
		(1,045)
(2,616)		0
		0
		0
		(2,616)
		(.10)
		(.10)