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 March 31, 2004.

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	**75-2508900**
(State or other Jurisdiction of Incorporation or Organization)	**(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 ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

As of April 30, 2004, the number of shares outstanding of the registrant's sole class of common stock, par value $0.0001 per share was **26,339,956**.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	December 31, 2003	March 31, 2004
		(unaudited)
ASSETS		
Cash and cash equivalents	$ 28,291	$ 26,774
Restricted cash	2,140	392
Investments	—	2,146
Accounts receivable	134	398
Current portion of notes receivable from shareholders	55	—
Inventories	7,861	9,034
Prepaid expenses and other current assets	2,084	2,560
Deferred tax assets	2,363	2,368
Total current assets	**42,928**	**43,672**
Property and equipment, net	5,514	5,278
Long-term investments	9,994	13,006
Notes receivable from shareholders, excluding current portion	150	152
Deferred tax assets	631	645
Restricted cash	—	211
Other assets	806	600
Total assets	**$ 60,023**	**$ 63,564**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of capital leases and notes payable	$ 16	$ 12
Accounts payable	2,687	2,263
Accrued expenses	19,940	21,171
Deferred revenue	3,142	5,037
Current portion of accrued severance related to former executives	953	731
Total current liabilities	**26,738**	**29,214**
Capital leases and notes payable, excluding current portion	32	34
Accrued severance related to former executives, excluding current portion	359	272
Long-term liabilities	106	245
Deferred tax liabilities	—	13
Total liabilities	**27,235**	**29,778**
Commitments and contingencies	—	—
Shareholders' equity:		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.0001 par value, 99,000,000 shares authorized, 26,227,171 shares issued and 26,183,422 outstanding in 2003 and 26,399,505 shares issued and 26,325,190 outstanding in 2004	3	3
Additional paid-in capital	24,175	24,848
Retained earnings	9,271	9,752
Accumulated other comprehensive loss	(422)	(255)
	33,027	34,348
Less treasury stock, at cost, 43,749 shares in 2003 and 74,315 in 2004	(239)	(562)
Total shareholders' equity	**32,788**	**33,786**
Total liabilities and shareholders' equity	**$ 60,023**	**$ 63,564**

See accompanying notes to consolidated financial statements.

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MANNATECH, INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except per share information)

	For the three months ended March 31, 2003	2004
Net sales	**$ 40,470**	**$ 58,386**
Cost of sales	6,697	8,657
Commissions and incentives	16,341	25,866
	23,038	34,523
Gross profit	**17,432**	**23,863**
Operating expenses:		
Selling and administrative expenses	9,830	12,305
Other operating costs	5,725	6,984
Total operating expenses	15,555	19,289
Income from operations	**1,877**	**4,574**
Interest income	76	138
Interest expense	(2)	—
Other income (expense), net	112	(93)
Income before income taxes	**2,063**	**4,619**
Income tax expense	(644)	(1,514)
Net income	**$ 1,419**	**$ 3,105**
Earnings per common share:		
Basic	$ 0.06	$ 0.12
Diluted	$ 0.06	$ 0.11
Weighted-average common shares outstanding:		
Basic	25,135	26,279
Diluted	25,251	27,414

See accompanying notes to consolidated financial statements.

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MANNATECH, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	For the three months ended March 31,	
	2003	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,419	$ 3,105
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	910	657
Loss on disposal of assets	5	60
Tax benefit from exercise of stock options	—	181
Charge (benefit) related to stock options and warrants granted	25	(4)
Deferred income taxes	—	(7)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	232	(250)
Increase in inventories	(382)	(1,158)
Increase in prepaid expenses and other current assets	(374)	(471)
(Increase) decrease in other assets	(4)	214
Decrease in accounts payable	(574)	(429)
Increase in accrued expenses	330	1,315
Increase in deferred revenue	737	1,895
Decrease in accrued severance	(320)	(309)
Net cash provided by operating activities	**2,004**	**4,799**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(177)	(459)
(Increase) decrease in restricted cash	(2,123)	1,537
Repayment by shareholders/related parties	49	53
Purchases of investments	—	(5,158)
Net cash used in investing activities	**(2,251)**	**(4,027)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of cash dividends	—	(2,623)
Proceeds from stock options exercised	—	173
Repayment of capital lease obligation	(1)	(3)
Repayment of notes payable	(96)	—
Net cash used in financing activities	**(97)**	**(2,453)**
Effect of exchange rate changes on cash and cash equivalents	(17)	164
Net decrease in cash and cash equivalents	**(327)**	**(1,517)**
CASH AND CASH EQUIVALENTS:		
Beginning of period	17,693	28,291
End of period	**$ 17,366**	**$ 26,774**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	$ 200	$ 2,370
Interest paid	$ 2	$ —
SUMMARY OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Asset retirement obligations related to operating leases	$ 253	—
Treasury shares tendered to exercise stock options	$ —	$ 323

See accompanying notes to consolidated financial statements.

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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 and is located in Coppell, Texas. The Company develops and sells high-quality, proprietary nutritional supplements, topical products, and weight-management products primarily through a network-marketing system operating in the United States, Canada, Australia, the United Kingdom, Japan, and New Zealand. Independent associates ("associates") purchase the Company's products at published wholesale prices for the purpose of personal consumption and/or sale to retail customers. Members ("members") purchase the Company's products at a discount from published retail prices. Only associates are eligible to earn commissions and incentives on their downline growth and sales volume. The Company has ten wholly-owned subsidiaries although only the following subsidiaries are currently active:

Wholly-owned subsidiary name	Date incorporated	Location of subsidiary	Date operations began
Mannatech Australia Pty Limited	April 1998	St. Leonards, Australia	October 1998
Mannatech Ltd.	November 1998	Aldermaston, Berkshire U.K.	November 1999
Mannatech Japan, Inc.	January 2000	Tokyo, Japan	June 2000

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information, the instructions to Form 10-Q, and Rule 10-01 of Regulation S-X. Accordingly, the consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of Company's management, the accompanying unaudited consolidated financial statements contain all adjustments, including normal recurring adjustments, considered necessary for a fair statement of the Company's consolidated financial information as of, and for, the periods presented. The consolidated results of operations of an 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 Company's consolidated financial statements and accompanying footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 2003.

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.

Reclassification

Certain prior years' balances have been reclassified to conform to the Company's 2004 consolidated financial statement presentation.

Revenue Recognition

The Company's revenues are primarily derived from sales of its products, sales of starter and renewal packs, and shipping fees. Substantially all product sales are sold to associates at published wholesale prices and to members at discounted published retail prices. The Company records a reserve for expected sales refunds based on its historical experience.

The Company defers all revenue received for customer shipments until its customers receive their shipments. Total deferred revenue related to undelivered shipments at December 31, 2003 was $2.7 million and $4.4 million at March 31, 2004.

The Company also defers a portion of its revenue from the sale of its starter and renewal packs related to a one-year magazine subscription offered in some of its packs and from revenue related to each pack that exceeds the total average wholesale value of all individual components included in such packs. The Company amortizes this deferred revenue over twelve months. Deferred revenue related to magazine subscriptions and revenue exceeding the total average wholesale value was $0.4 million at December 31, 2003, and $0.6 million at March 31, 2004.

Shipping and Handling Costs

The Company records freight and shipping revenue collected from associates and members as revenue. The Company records shipping and handling costs associated with customer shipments as selling and administrative expenses. Total shipping and handling costs included in selling and administrative expenses was approximately $2.2 million and $2.9 million for the three months ended March 31, 2003 and 2004, respectively.

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Accounting for Stock-Based Compensation

The Company has three stock-based compensation plans. The Company generally grants stock options to its employees and board members at the fair market value of the stock on the date of grant. The stock options usually vest over three years and are exercisable for ten years. Stock options granted to shareholders who own five percent or more of the Company's outstanding stock are granted at an exercise price that may not be less than 110% of the fair market value of the Company's common stock on the date of grant and have a term no greater than five years.

For stock-based compensation issued to nonemployees, the Company is required to follow Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation." Under SFAS 123, stock-based compensation to nonemployees is measured and recognized at the calculated fair value on the date of grant.

For stock-based compensation issued to employees and members of its board of directors, the Company elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and its related interpretations. Under the recognition and measurement principles of APB 25, no compensation expense is recognized unless the market price of the stock option exceeds the exercise price on the date of grant.

For disclosure purposes only, the Company estimated the fair value for all of its stock options granted to employees and board members on the date of grant using the Black-Scholes option-pricing model and estimated the amount of expense that it would have recognized for each stock option granted over its vesting period. The following table illustrates the effect on the Company's net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to all of its stock options:

	For the three months ended March 31,	
(in thousands, except for per share information)	**2003**	**2004**
Consolidated net income as reported	$ 1,419	$ 3,105
Add (Subtract): Stock-based employee compensation (income) expense included in reported net income, net of related tax effect	16	(3)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effect	(219)	(134)
Pro forma net income	$ 1,216	$ 2,968
Basic Earnings Per Share:		
As reported	$ 0.06	$ 0.12
Pro forma	$ 0.05	$ 0.11
Diluted Earnings Per Share:		
As reported	$ 0.06	$ 0.11
Pro forma	$ 0.05	$ 0.10

Earnings Per Share

Basic Earnings Per Share ("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.

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The following data shows the amounts used in computing EPS and their effect on the weighted-average number of common shares and dilutive common share equivalents. At March 31, 2003, 2,937,333 common stock options and 133,000 warrants were excluded from the diluted EPS calculation, as their effect was antidilutive. At March 31, 2004, none of the Company's common stock options or warrants were excluded from the diluted EPS calculation. The amounts are rounded to the nearest thousand, except for per share amounts.

	2003			2004		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS:						
Net income available to common shareholders	$ 1,419	25,135	$ 0.06	$ 3,105	26,279	$ 0.12
Effect of dilutive securities:						
Stock options	—	110	—	—	1,038	(0.01)
Warrants	—	6	—	—	97	—
Diluted EPS:						
Net income available to common shareholders plus assumed conversions	$ 1,419	25,251	$ 0.06	$ 3,105	27,414	$ 0.11

NOTE 2 INVENTORIES

During the first three months of 2004, the Company wrote-off inventories against its inventory reserves of approximately $127,000. At December 31, 2003 and March 31, 2004, inventories consisted of the following:

	December 31, 2003	March 31, 2004
	(in thousands)	
Raw materials	$ 1,517	$ 1,369
Finished goods, less inventory reserves for obsolescence of $246 in 2003 and $119 in 2004	6,344	7,665
	$ 7,861	**$ 9,034**

NOTE 3 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 Company's comprehensive income is as follows:

	Three months ended March 31,	
	2003	2004
	(in thousands)	
Net income	$ 1,419	$ 3,105
Foreign currency translation adjustments	39	160
Unrealized gain from investments classified as available-for-sale, net of related tax effect of $5 for 2004	—	7
Comprehensive income	**$ 1,458**	**$ 3,272**

NOTE 4 COMMITMENTS AND CONTINGENCIES

Supply Agreement

In March 2004, the Company entered into a new supply agreement with a supplier to purchase a raw material used in its antioxidant product. The supply agreement requires the Company to purchase a minimum of $0.4 million of its raw material per year for five years.

Royalty Agreement

On August 7, 2003, the Company entered into a royalty agreement with Dr. Bill McAnalley, its Chief Science Officer. While Dr. McAnalley is employed by the Company, the Company agreed to pay him the greater of his annual royalties or an annual executive bonus. After Dr. McAnalley's employment with the Company ceases, the Company is required to pay Dr. McAnalley, or his heirs, royalties that are based on Mannatech's annual global sales of its products containing Ambrotose™ in excess of $105.4 million for each year over the ten years subsequent to termination of his employment. As of March 31, 2004, the Company accrued $0.2 million related to future payments for this royalty agreement.

NOTE 5 RECENT ACCOUNTING PRONOUNCEMENTS

FIN 46. In January 2003, Financial Accounting Standards Board ("FASB") issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 is effective for variable interest entities created after January 31, 2003 and is required to be adopted for variable interest entities that existed prior to February 1, 2003 by December 31, 2003. FIN 46 is an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements." FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities and is entitled to receive a majority of the entity's residual returns or both. The adoption of this interpretation did not have a significant impact on the Company's consolidated financial condition, results of operations, or cash flows.

FIN 46R. In December 2003, FASB issued a revision to FIN 46 ("FIN 46R"), to clarify some of the provisions and to exempt certain entities from its requirements. Under the new guidance, special effective date provisions apply to enterprises that have fully or partially applied FIN 46 prior to issuance of the revised interpretation. Otherwise, application of FIN 46R is required in financial statements of public entities that have interests in structures that are commonly referred to as special-purpose entities ("SPE's") for periods ending after December 15, 2003. Application by public entities, other than business issuers, for all other types of variable interest entities other than SPE's is required in financial statements for periods ending after March 15, 2004. The Company does not have interest in structures commonly referred to as SPE's, therefore the adoption of FIN 46R is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

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NOTE 6 INVESTMENTS

The Company began purchasing investments in 2003 and classifies its investments as available for sale. At March 31, 2004, the Company's investments consisted of the following:

	Amortized cost	Gross unrealized gain	Fair value
		(in thousands)	
Short-term:			
Federal National Mortgage Association	$ 2,140	$ 6	$ 2,146
Long-term:			
Federal Home Loan Bank	2,000	6	2,006
Corporate asset-based obligations	10,000	—	10,000
State regulated utility company obligation	1,000	—	1,000
	13,000	6	13,006
Total investments	**$ 15,140**	**$ 12**	**$ 15,152**

The Company's fair value of investments by contractual maturity at December 31, 2003 and March 31, 2004, are as follows:

	December 31, 2003	March 31, 2004
	(in thousands)	
Due in one year or less and restricted for use	$ 2,140	$ —
Due in one year or less	—	2,146
Due between one and three years	3,994	2,006
Due after three years	6,000	11,000
	$ 12,134	**$ 15,152**

Note 7 LITIGATION

The Company was notified in February 2003 by the New Zealand Ministry of Health of an investigation of the sales practices of some of the Company's New Zealand associates. The matter was investigated and the Company disciplined the independent associates related to this matter. The New Zealand Ministry of Health has continued to monitor the Company's actions and reserves the right to prosecute individual associates or the Company in the event of any further violations.

In March 2004, MedSafe, a business unit of the New Zealand Ministry of Health, notified the Company that several of its associates in New Zealand were using promotional materials that made therapeutic claims to promote the Company's products, which claims were in violation of the New Zealand's Medicines Act 1981. In response to the inquiry and allegations from MedSafe, the Company initiated disciplinary investigation proceedings against the named associates identified by MedSafe and discovered that unapproved materials were being used by its New Zealand associates. The matter remains open, pending the conclusion of the Company's disciplinary proceedings against its associates and submission of its findings to MedSafe. In addition, the Company intends to introduce additional training materials to further inform its New Zealand associates about the regulatory environment and relevant New Zealand legal requirements.

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Note 8 SEGMENT INFORMATION

The Company conducts its business within one industry segment. No single associate has ever accounted for more than 10% of its total sales.

The Company aggregates its operating segments because it operates as a single reportable segment as a seller of nutritional supplements through its network-marketing distribution channels operating in six different countries. In each country, the Company markets their products and pays commissions and incentives in similar environments. The Company's management reviews its financial information by country and concentrates its internal reporting and analysis of revenues on pack sales and product sales. The Company sells its products through its independent associates and distributes its products through similar distribution channels in each country. Each of the Company's operations sells primarily the same products and possesses similar economic characteristics such as similar gross margins. The Company's Canadian operation is serviced through its United States corporate facility and its products are shipped through a third party distribution facility located in Canada. The Company's New Zealand operations are serviced through its Australian operations and its products are shipped through a third party distribution facility located in Australia. Net sales by country and pack and product information, in millions, for the three months ended March 31, 2003 and 2004, respectively are as follows:

	United States		Canada		Australia		United Kingdom		Japan		New Zealand		Totals
2003	$28.0	69.1%	$3.9	9.6%	$2.6	6.4%	$0.6	1.5%	$4.0	9.9%	$1.4	3.5%	$40.5
2004	$36.8	63.0%	$4.7	8.0%	$6.5	11.1%	$2.8	4.8%	$5.0	8.6%	$2.6	4.5%	$58.4

	Three months ended March 31, 2003	Three months ended March 31, 2004
	(in millions)	
Consolidated Product sales	$30.9	$44.9
Consolidated Pack sales	8.2	12.4
Consolidated Other, including freight	1.4	1.1
Total	**$40.5**	**$58.4**

Canada and New Zealand operations operate through offices in the United States and Australia, respectively. Long-lived assets by country include property, plant and equipment and are as follows:

Country	December 31, 2003	March 31, 2004
	(in millions)	
Australia	$ 0.3	$ 0.3
Japan	0.5	0.5
United Kingdom	0.1	0.1
United States	4.6	4.3
	$ 5.5	**$ 5.2**

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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 consolidated financial position and its results of operations for the three months ended March 31, 2004 as compared to the same period in 2003. Unless stated 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.

Company Overview

For over a decade, Mannatech has developed innovative, high-quality, proprietary nutritional supplements, topical products, and weight-management products that are sold through a global network-marketing system. Currently Mannatech operates in the United States, Canada, Australia, the United Kingdom, Japan, and New Zealand. New Zealand began operations on June 10, 2002 and is serviced by Mannatech's Australian subsidiary. Mannatech plans to begin operations in South Korea in the third quarter of 2004 and in Taiwan in the first quarter of 2005.

Mannatech operates as a single segment and primarily sells its products through a network of approximately 287,000 associates and members who have purchased Mannatech's packs and products within the last 12 months. Mannatech aggregates its operating segments because it believes it operates as a single reportable segment selling its nutritional supplements in similar distribution channels in each of its operations. Mannatech's management reviews its financial information in each country by pack sales and by product sales. Each of Mannatech's operations sells primarily the same products and possesses similar economic characteristics, such as similar gross margins. For the three months ended March 31, 2004, Mannatech's foreign operations accounted for approximately 37.0% of its consolidated net sales, whereas in the same period in 2003, Mannatech's foreign operations accounted for 30.9% of its consolidated net sales. Consolidated net sales by country in dollars and as a percentage of consolidated net sales for the three months ended March 31, 2003 and 2004 are as follows:

Net Sales in Dollars and as a Percentage of Consolidated Net Sales

(in millions)	United States	Canada	Australia	United Kingdom	Japan	New Zealand	Total
2003	$28.0	$ 3.9	$ 2.6	$ 0.6	$ 4.0	$ 1.4	$ 40.5
2004	$36.8	$ 4.7	$ 6.5	$ 2.8	$ 5.0	$ 2.6	$ 58.4

	United States	Canada	Australia	United Kingdom	Japan	New Zealand	Total
2003	69.1%	9.6%	6.4%	1.5%	9.9%	3.5%	100.00%
2004	63.0%	8.0%	11.1%	4.8%	8.6%	4.5%	100.00%

Mannatech derives its revenues from sales of its products, sales of its starter and renewal packs, and from shipping fees and defers the recognition of its revenues until its customers receive their shipment. Substantially all of its product sales are either sold to independent associates at published wholesale prices, sold to members at discounted published retail prices, or sold to retail customers at published retail prices. Mannatech believes the majority of its product sales are for personal consumption; however, Mannatech cannot distinguish its personal consumption sales from its other sales because it has no involvement in its products after delivery other than usual and customary product returns.

Mannatech periodically changes its starter and renewal packs to meet current market demands. Each of Mannatech's starter and renewal packs includes some combination of its products and promotional materials and entitles associates and members to published discounts related to Mannatech's retail prices. Mannatech tries to offer comparable packs in each country in which it does business; however, because each country has different regulatory guidelines, not all of Mannatech's packs can be offered in all countries.

Mannatech attributes the improvement in its sales and operations to the following:

- completing the launch of its revamped global associate career and compensation plan in September 2002;
- launching various new incentives including annual travel incentives;
- appointing Samuel Caster, one of its founders and Chairman, as Chief Executive Officer; and
- introducing three new products – Ambrotose AO™, GI-Pro™ and GI-Zyme™ into various markets in the third quarter of 2003.

Mannatech believes that its revamped global associate career and compensation plan and its annual travel incentive program contributed to an increase in the number of independent associates, as reflected by the 51.2% increase in its pack sales for the three months ended March 31, 2004 as compared to the same period as 2003. Mannatech believes its annual travel incentive program helps increase the number of independent associates purchasing its products and is also a motivational vehicle for attracting and retaining independent associates. Mannatech's annual travel incentive usually has a qualification period of between four to seven months, during which period independent associates qualify for the annual travel incentive by earning points primarily on the sales of high dollar packs and product purchases. Under its annual travel incentive program, Mannatech requires its associates to maintain their associate position up to the point of travel.

Mannatech believes that future success in increasing its net sales is dependent on the following factors:

- continuing its product development strategy, which includes continuing to enhance its existing proprietary products and introducing new products, such as the recent launch of its new antioxidant product, Ambrotose AO™, in the United States in September 2003 and its new digestive products, called GI-Zyme™ and GI-Pro™, which were launched in the United Kingdom in September 2003;
- continuing its planned international expansion; and
- continuing to attract and retain associates who routinely purchase its products by introducing new incentives and refining existing commissions and incentives.

In 2004, Mannatech is primarily focusing on registering its Ambrotose AO™ product in its existing foreign markets and beginning to register its most popular products in South Korea and Taiwan. Mannatech also plans to improve its nutritional food bars to include a more complete array of essential nutrients and to continue its ongoing research of new products and product strategies for 2005.

Cost of sales consists of products purchased from third-party manufacturers, costs of promotional materials sold to Mannatech's independent associates, costs of freight, and provisions for slow moving or obsolete inventories. Mannatech's inventory turnover ratio decreased from 4.7 in the first quarter of 2003 to 4.1 in the first quarter of 2004 due to the receipt of $1.1 million of inventory purchases in early March 2004 related to the anticipated increase in net sales related to its annual travel incentive. Mannatech's sales mix of products and packs affects its cost of sales and gross profit differently because the gross margin on its products sold has a higher gross margin than the gross margin on packs sold. Mannatech's sales mix can be influenced by the following:

- changes in Mannatech's commission and incentive programs;
- changes in Mannatech's sales prices;
- changes in consumer demand;
- changes in competitors' products;
- changes in economic conditions;
- changes in regulations;
- announcements of new scientific studies and developments;
- introduction of new products; and
- discontinuation of existing products.

Commissions and incentives are dependent on the sales mix and typically range between 40% and 45% of net sales. Commissions and incentives are paid to Mannatech's independent associates in accordance with its global associate career and compensation plan and are based on commissionable net sales, which consist of sales of finished products and packs. Mannatech's commission and incentive program calculates commissions and incentives based on the following criteria:

- an associate's placement and position within Mannatech's overall global plan;
- the volume of an associate's direct and indirect commissionable sales; and
- an associate's achievement of certain sales levels.

Mannatech's global associate career and compensation plan allows new and existing independent associates to build their individual global networks by expanding their existing downlines into newly-opened international markets rather than requiring them to establish new downlines to qualify for commissions and incentives within each newly-opened country.

Periodically, Mannatech offers new travel incentives and contests, which are designed to stimulate both its pack and product sales. In the first quarter of 2003, Mannatech launched a travel incentive for its independent associates called "Sun and Salsa in 2003." Approximately 750 of Mannatech's independent associates qualified for a trip for two to Cancun, Mexico. This incentive cost Mannatech approximately $2.2 million. In March 2004, Mannatech announced its 2004 travel incentive contest, which is a 5-day cruise for two in the Caribbean. The 2004 travel incentive allows independent associates who achieve certain sales levels from February 28, 2004 through July 16, 2004 to qualify for this trip incentive. Mannatech anticipates that approximately 750 to 850 of its independent associates will qualify for this trip incentive at an estimated cost to Mannatech of between $2.2 million and $2.7 million.

Operating expenses consist of selling and administrative expenses and other operating costs. Operating expenses remained relatively constant as a percent of consolidated net sales for the first quarter of 2004 as compared to the same period in 2003. Selling and administrative costs include compensation and marketing type expenses. Other operating costs include all other types of operating type expenses.

Critical Accounting Policies and Estimates

In response to SEC Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," Mannatech has identified certain policies that are important to the portrayal of its consolidated financial condition and consolidated results of operations. These policies require the application of significant judgment by Mannatech's management. Mannatech periodically analyzes the need for certain estimates, including the need for such items as inventory reserves, impairment of long-lived assets, tax valuation allowances, provisions for doubtful accounts, revenue recognition, sales returns, accounting for stock options, contingencies and litigation. Mannatech bases any estimates needed on its historical experience, industry standards, and various other assumptions that may be reasonable under the circumstances. Mannatech cautions its readers that actual results could differ from its estimates under different assumptions or conditions. If circumstances change relating to the various assumptions or conditions used in such estimates Mannatech could experience an adverse effect on its consolidated financial condition, changes in financial condition and results of operations. Mannatech's critical accounting policies at March 31, 2004 include the following:

Inventory Reserves

Mannatech's inventory carrying value is reviewed and compared to the fair market value of its inventory and any inventory value in excess of fair market value is written down. In addition, Mannatech reviews its inventory for obsolescence and any inventory identified as obsolete is reserved or written off. Mannatech's determination of obsolescence is based on assumptions about the demand for its products, product expiration dates, estimated future sales, and management's future plans. If actual sales or management plans are less favorable than those originally projected by management, additional inventory reserves or write-downs may be required. Mannatech's inventory value at March 31, 2004 was $9.0 million and includes an inventory reserve of $0.1 million.

Asset Impairment

Mannatech reviews the book value of its property and equipment for impairment whenever an event or change in circumstances indicates that the net book value of an asset or group of assets may be unrecoverable. Mannatech's impairment review includes a comparison of future projected cash flows generated by the asset or group of assets with its associated carrying value. Mannatech believes its expected future cash flows approximate or exceed its net book value. However, if circumstances change and the net book value of the asset or group of assets exceeds expected cash flows (undiscounted and without interest charges), Mannatech would have to recognize an impairment loss to the extent the net book value of an asset exceeds its fair value. At March 31, 2004, the net book value of Mannatech's property and equipment was $5.3 million.

Tax Valuation Allowances

Mannatech evaluates the probability of realizing the future benefits of any of its deferred tax assets and records a valuation allowance when it believes a portion or all of its deferred tax assets may not be realized. If Mannatech is unable to realize the expected future benefits of its deferred tax assets, it would be required to provide an additional valuation allowance. As of March 31, 2004, Mannatech recorded deferred tax assets of $3.0 million, which includes a valuation allowance of approximately $1.5 million related to its Japanese net operating loss carry forwards.

Deferred Revenues

Mannatech defers all of its revenue until its customers receive their shipments. Mannatech also defers a portion of its revenue from the sale of its starter and renewal packs because of a one-year magazine subscription offered in some of its packs. In addition, Mannatech defers the portion of revenue from each pack that exceeds the total average wholesale value of all individual components included in such packs. Mannatech amortizes its deferred revenues associated with its magazine subscriptions and the excess amount over the total average wholesale value of the individual components in the packs over twelve months. Although Mannatech has no immediate plans to significantly change the contents of its packs or its shipping methods, any such changes in the future could result in additional revenue deferrals or could cause Mannatech to recognize its deferred revenue over a longer period of time.

Software Capitalization

Mannatech capitalizes salaries and consulting fees related to the development of certain qualifying internally-developed software applications including: *GlycoScience.org*, a scientific and educational web database and *Success Tracker*™, a web-based training and marketing tool for its independent associates. Mannatech amortizes such qualifying costs over its estimated useful life of the software application, which is either three or five years. If accounting standards change or if the capitalized software becomes obsolete, Mannatech may be required to write-off its capitalized software or accelerate its amortization period. As of March 31, 2004, Mannatech's capitalized software had a remaining net book value of $0.3 million. In the first quarter of 2004, Mannatech capitalized $0.1 million related to the development of its corporate website and data management tracking system. Mannatech anticipates capitalizing additional costs associated with salaries and consulting fees related to developing and implementing its new global back-office systems in 2004 and 2005.

Accounting for Stock-Based Compensation

Currently, Mannatech follows Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and its related interpretations for stock options granted to employees and members of its board of directors. Under the recognition and measurement principles of APB 25, Mannatech is not required to recognize any compensation expense unless the market price of the stock exceeds the exercise price on the date of grant or the terms of the grant are subsequently modified. The Financial Accounting Standards Board has recently indicated that it expects to issue a proposal to change the recognition and measurement principles for equity-based compensation granted to employees and board members. Under the proposed rules, Mannatech would be required to recognize compensation expense related to stock options granted to employees and board members after December 15, 2004. The compensation expense would be calculated based on the number of options expected to vest and would be recognized over the stock options' vesting period, which could have a material effect on Mannatech's future consolidated results of operations.

Results of Operations

The following table summarizes Mannatech's consolidated operating results as a percentage of net sales for each of the three months ended March 31, 2003 and 2004:

	Three months ended March 31,	
	2003	2004
Net sales	**100.0%**	**100.0%**
Cost of sales	16.6	14.8
Commissions and incentives	40.3	44.3
	56.9	59.1
Gross profit	**43.1**	**40.9**
Operating expenses:		
Selling and administrative expenses	24.3	21.1
Other operating costs	14.2	11.9
	38.5	33.0
Income from operations	**4.6**	**7.9**
Interest income	0.2	0.1
Other income (expense), net	0.3	(0.1)
Income before income taxes	**5.1**	**7.9**
Income tax expense	(1.6)	(2.6)
Net income	**3.5%**	**5.3%**

<u>Three months ended March 31, 2004 compared with the three months ended March 31, 2003</u>

Net Sales

	For the three months ended March 31,		Percentage change
	2004	2003	2004 over 2003
	(in millions)		
Pack sales	$ 12.4	$ 8.2	51.2%
Product sales	44.9	30.9	45.3
Other, including freight	1.1	1.4	(27.8)
Total net sales	**$ 58.4**	**$ 40.5**	**44.3%**

Mannatech's net sales have continued to increase in all countries. The dollar increase consisted of increases in both pack sales and product sales. Pack sales directly relate to new associates and members who will be purchasing Mannatech's products. Therefore, as Mannatech's pack sales increase, product sales usually increase; however, there is not a direct correlation between the increase in the number of new associates and members and the amount of the increase in product sales because associates and members consume different products and have different consumption levels.

For the first quarter of 2004, Mannatech's quarterly pack sales primarily increased due to the increase of 33,000 new independent associates and members purchasing packs during the first quarter of 2004, which increased the total new associates and members within the 12-months ended March 31, 2004 to 141,000. The total new independent associates and members purchasing packs during the first quarter of 2003 was 30,000, which increased the total new associates and members within the 12-months ended March 31, 2003 to 100,000.

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The number of new and continuing independent associates and members who purchased Mannatech's products during the 12 months ended March 31, 2003 and 2004 are as follows:

	For the twelve months ended March 31,			
Associates and Members	**2003**		**2004**	
New	100,000	47.2%	141,000	49.1%
Continuing	112,000	52.8%	146,000	50.9%
Total	**212,000**	**100.0%**	**287,000**	**100.0%**

Pack Sales

Overall, pack sales increased $4.2 million for the three months ended March 31, 2004 as compared to the same period in 2003. This increase was primarily related to changes in the mix of new and existing associates. In the first quarter of 2004, pack sales from new associates increased $2.7 million, as compared to the same period in 2003. This increase attributed to 46.6% of the total increase in pack sales for the first quarter of 2004 as compared to the same period in 2003. New pack sales to new associates totaled $8.5 million in the first quarter of 2004 as compared to $5.8 million for the same period in 2003. Mannatech continues to believe the increase in the number of new associates and members over the past few years correlated to the changes in its revamped global associate and career plan; introducing new incentives, contests and products; and implementing several management changes over the past year.

Product Sales

Mannatech's product sales have increased year-over-year in all countries. The increase results from new product launches and an overall increase in sales volume sold. In September 2003, Mannatech launched three new products, including its United States launch of a new antioxidant product called Ambrotose AO™. New products increased total product sales in the first quarter of 2004 by approximately $4.8 million as compared to the same period in 2003. In 2004, Mannatech plans to improve its Mannabars and plans to continue its research to develop additional new products and strategies in 2005.

Changes in existing product sales related to an increase in sales volume as compared to the prior year. In the first quarter of 2004, the increase in existing product sales was $9.3 million, as compared to the same period in 2003. The increase in Mannatech's existing product sales related to the continued increase in the number of new and existing associates and members purchasing Mannatech products.

Other Sales

Other sales consists of a $0.7 million increase in freight revenue charged to associates and members related to the increase in pack and product sales in the first quarter of 2004 as compared to the same period in 2003. This increase was offset by an increase in deferred revenue of $1.1 million related to the timing of shipments to customers.

Cost of Sales

Cost of sales increased $2.0 million in the first quarter of 2004 because of the increase in volume of packs and products sold during that period as compared to the same period in 2003. However, cost of sales as a percentage of net sales decreased from 16.6% in the first quarter of 2003 to 14.8% in the first quarter of 2004. This decrease as a percentage of net sales was the result of the change in product mix sold and gaining cost efficiencies from certain manufacturers in 2004, which favorably impacted Mannatech's gross profit.

Inventory write-offs and reserves do not have a significant impact on Mannatech's cost of sales. For the three months ended March 31, 2003 and 2004, Mannatech maintained a provision for inventory write-offs of $0.2 and $0.1 million, respectively. The provision primarily relates to discontinued promotional materials and normal spoilage or damaged products.

Commissions and Incentives

Commissions and incentives increased to $25.8 million in the first quarter of 2004 as compared to $16.3 million in the same period in 2003. As a percentage of net sales, commissions and incentives increased to 44.3% in the first quarter of 2004 as compared to 40.3% for the same period in 2003. The 4.0% increase in commissions and incentives as a percentage of net sales is primarily attributable to the following:

- changes in sales mix of packs sold;
- Mannatech’s launching its annual travel incentive for its associates in March 2004;
- revamping its global associate compensation plan; and
- expanding the number of associates who qualify for commissions by increasing the number of higher dollar packs sold. The average pack sale increased 8.3% to $252.30 for the three months ended March 31, 2004 as compared to $232.95 for the same period in 2003.

Gross Profit

Gross profit increased to $23.9 million in the first quarter of 2004 as compared to $17.4 million in the same period in 2003 primarily as a result of an increase in net sales. As a percentage of net sales, gross profit decreased in the first quarter of 2004 as compared to the same period in 2003 due to an increase in commissions, which related to the sales mix sold, partially offset by gaining cost efficiencies from its manufacturers.

Selling and Administrative Expenses

Selling and administrative expenses include a combination of both fixed and variable expenses and consist of compensation and benefits of employees, contract labor, outbound shipping and freight, and marketing-related expenses, such as monthly magazine development costs and hosting Mannatech’s corporate-sponsored events. In the first quarter of 2004, selling and administrative expenses increased by $2.5 million as compared to the same period in 2003. The dollar change in selling and administrative expenses primarily consists of an increase in compensation-related costs, marketing expenses, out-bound freight costs, and third-party distribution costs. Selling and administrative expenses as a percentage of net sales decreased from 24.3% in the first quarter of 2003 to 21.1% in the same period in 2004. The decrease in selling and administrative expenses as a percentage of net sales in 2004 was primarily due to Mannatech’s ability to control and curtail costs.

Overall compensation related costs increased in the first quarter of 2004 by $1.2 million as compared to the same period in 2003. In 2004, the $1.2 million increase was composed of an increase of $0.5 million in corporate bonuses and a $0.7 million increase in wages and benefits. The 2004 increase in bonuses was a result of improving Mannatech’s operations and an increase in wages and benefits primarily related to cost of living raises and hiring additional employees for its operations.

Marketing related expenses increased by $0.6 million in the first quarter of 2004 as compared to the same period in 2003. In 2004, marketing related expenses increased $0.1 million related to introducing a new corporate newsletter, called “The Cutting Edge.” In addition, marketing related expenses increased by $0.5 million related to the costs associated with the hosting Mannatech’s annual corporate-sponsored event, called Mannafest. The increase in cost of its corporate-sponsored event related to the significant increase in the number of associates attending this event.

Out-bound freight and third party distribution costs increased in the first quarter of 2004 by $0.7 million as compared to the same period in 2003, which consisted of an increase in out-bound freight of $0.5 million and an increase in third-party distribution costs of $0.2 million. The increases in 2004 relate to the additional increase in net sales volume and a shift in sales mix.

Other Operating Costs

Other operating costs include utilities, depreciation, travel, consulting fees, professional fees, office expenses, printing-related expenses, off-site storage fees, and other miscellaneous operating expenses. For the first quarter of 2004, other operating costs increased by $1.3 million as compared to the same period in 2003. The dollar increase in other operating costs primarily consisted of increases in consulting fees, travel, depreciation, and various operating costs. Other operating costs as a percentage of net sales decreased from 14.2% in the first quarter of 2003 to 11.9% for the same period in 2004. The decrease in other operating costs as a percentage of net sales in 2004 was primarily due to an increase in net sales and Mannatech's ability to control fixed costs.

In the first quarter of 2004, consultant-related costs increased by $0.6 million as compared to the same period in 2003. The increase in 2004 was composed of (1) a $0.1 million increase in Mannatech's board of director fees related to the change in compensation to its directors; (2) a $0.3 million increase in consulting fees related to Mannatech's planned technology infrastructure changes; and (3) a $0.2 million increase related to consulting fees for its planned international expansion and associate cultivation activities in its existing markets.

In the first quarter of 2004, variable operating expenses increased by $1.0 million as compared to the same period in 2003. This increase included travel, research and development costs, telephone, insurance, postage, offsite storage expenses, and credit card fees, which largely correlated to the increase in net sales volume.

These increases in other operating expenses in the first quarter of 2004 were partially offset by a decrease of ($0.3 million) in depreciation expense. This decrease consisted of an increase in depreciation expense of $0.1 million related to purchasing $0.5 million in capital assets, which was offset by a ($0.4 million) decrease in depreciation expense related to various capital assets, including computer hardware and software that were purchased or developed in prior years and fully depreciated during 2003.

Interest Income

Mannatech maintains interest-bearing accounts for its cash equivalents, restricted cash, and investments. Interest income increased as cash, cash equivalents, restricted cash, and investments have increased during the first quarter of 2004 as compared to the same period in 2003. Cash and investments increased as a result of Mannatech improving its overall operations and profits and increasing its average yield on investments.

Other Income (Expense), Net

Other income (expense), net consists primarily of foreign currency transaction gains and losses and translation adjustments related to translating assets, liabilities, revenues, and expenses from its foreign operations to the United States dollar using current and weighted-average currency exchange rates. Mannatech records these gains and losses to other income (expense), net. In the first quarter of 2004, the currency translation adjustment increased by $0.2 million as compared to the same period in 2003 primarily as a result of the increase in operations from its foreign subsidiaries.

Income Tax Expense

Income taxes include both domestic and foreign taxes. In the first quarter of 2003 and 2004, Mannatech's United States federal statutory tax rate was 35%. In the first quarter of 2003 and 2004, Mannatech's statutory tax rate was 30% in Australia, 19% in the United Kingdom, and 42% in Japan. A portion of Mannatech's income from its international operations is subject to taxation in the countries in which it operates. Although Mannatech may receive foreign tax credits that would reduce the amount of United States taxes owed, Mannatech may not be able to fully utilize its foreign tax credits in the United States. Mannatech has net operating losses carryforwards from its Japan operations, which may not be fully realizable. As a result, Mannatech maintains a valuation allowance for its Japan net operating loss carryforwards, as it believes that the likelihood of realizing an income tax benefit in the future does not meet the more likely than not criteria for recognition. However, Mannatech will continue to monitor its operations in Japan and may eliminate its valuation allowance if its Japanese operation continues to be profitable.

Income tax expense and Mannatech's effective tax rate increased from 31.2% in the first quarter of 2003 as compared to 33.5% in the same period in 2004. Mannatech's effective tax rate changed as a result of the shift in income mix between its domestic and its foreign operations, the increase in profitability, and the change in its valuation allowance reserve. For the remainder of 2004, Mannatech expects its Japan operation to remain profitable and therefore anticipates that it may reduce its tax provision's effective tax rate by reducing its valuation allowance as it expects to utilize some of its net operating loss carryforwards in Japan.

Net Income

Net income increased to $3.1 million in the first quarter of 2004, as compared to $1.4 million in the same period in 2003. The increase in net income in 2004 resulted from increasing net sales and Mannatech's ability to curtail operating expenses.

Liquidity and Capital Resources

Mannatech's principal use of cash is to pay for operating expenses, including commissions and incentives, capital expenditures, inventory purchases, and funding international expansion. Mannatech generally funds its business objectives, working capital, and operations through reliance on its cash flows from operations rather than incurring long-term debt. Mannatech plans to continue to primarily fund its business objectives, working capital, and operations primarily through its cash flows from operations and operating leases. Operating leases help Mannatech fund the leasing of buildings, automobiles and computer hardware. In the first quarter of 2004, Mannatech entered into a $1.0 million master operating lease line-of-credit, of which $0.2 million had been utilized as of March 31, 2004. Mannatech believes it can use its operating lease line-of-credit along with its normal cash flows from operations to fund any unanticipated short falls in its cash flows.

Cash and Cash Equivalents and Investments

Mannatech maintains a strong cash and investment position as it increased its cash and cash equivalents and investments in the first quarter of 2004 by $3.6 million, to $41.9 million at March 31, 2004 from $38.3 million at March 31, 2003. In addition, in the first quarter of 2004 Mannatech was able to release $2.1 million of its restricted cash because its line-of-credit with JPMorganChase expired. The increases in Mannatech's cash and cash equivalents and its investments were directly attributable to containing operating expenses and continuing to increase its operating profits, partially offset by paying a cash dividend to its shareholders of $2.6 million in the first quarter of 2004.

Working Capital

Mannatech's working capital decreased to $14.4 million at March 31, 2004 from $16.2 million at December 31, 2003. Mannatech's decrease in working capital at March 31, 2004 primarily related to using cash to purchase $3.0 million in long-term investments, paying cash dividends to its shareholders of $2.6 million, which was partially offset by paying for additional inventories of $1.2 million and making a down payment for the cruise ship for its 2004 travel incentive. In addition, Mannatech's working capital decreased at March 31, 2004 as compared to December 31, 2003 as current liabilities increased by $2.5 million during the first quarter of 2004. The increase in current liabilities at March 31, 2004 consisted of an increase of $1.9 million in commissions payable and an increase of $2.0 million in deferred revenues, which all related to the increase in net sales for the first three months of 2004. This increase in current liabilities at March 31, 2004 was partially offset by the decrease in accounts payable and accrued expenses related to the timing of payments of invoices made by Mannatech.

Mannatech's cash flows consist of the following:

	For the three months ended March 31,	
Provided by (used in):	**2003**	**2004**
Operating activities	$ 2.0 million	$ 4.8 million
Investing activities	($2.3 million)	($4.0 million)
Financing activities	($0.1 million)	($2.5 million)

Operating Activities

In the first quarter of 2004, Mannatech's operating activities provided $4.7 million in cash compared to cash provided by operating activities of $2.0 million in the same period in 2003. In the first quarter of 2004, net earnings adjusted for noncash activities provided cash of $3.4 million. In the first quarter of 2003, net earnings adjusted for noncash activities provided cash of $2.4 million.

Management of Mannatech's working capital accounts, which include receivables, inventories, prepaid expenses, payables, deferred revenues, accrued commission and expenses for operations, generated $1.8 million in positive cash flow in the first quarter of 2004 as compared to the same period in 2003, which used cash of $35,000. In the first quarter of 2004, the working capital accounts primarily increased due to an increase in deferred revenue of $1.9 million and increasing inventories by $1.1 million, which were both associated with an increase in net sales. In the first quarter of 2003, the working capital accounts slightly decreased due to timing of inventory received and payment of operating expenses, which was offset by an increase in overall operating profit.

Operating activities also include paying accrued severance of $0.3 million to former executives in the first quarter of 2004 and $0.3 million in the first quarter of 2003. Mannatech expects that its operating cash flows for the remainder of 2004 and for 2005 will be sufficient to fund its current operations and its plans for international expansion into South Korea and Taiwan.

Investing Activities

In the first quarter of 2004, Mannatech's investing activities used $4.0 million in cash compared to using $2.3 million in cash in the same period in 2003. In the first quarter of 2004, Mannatech used $5.2 million of its cash to purchase higher yielding investments, which included $2.2 million in short-term investments and $3.0 million in long-term investments. In addition, in the first quarter of 2004 investing activities used cash totaling $0.6 million to restrict cash as collateral for the remaining payment of the cruise ship for its 2004 travel incentive for its associates and for its building lease in Australia. In the first quarter of 2003, Mannatech used $2.1 million of its cash as collateral for a one-year line-of-credit, which was released into operations in the first quarter of 2004.

In the first quarter of 2004, investing activities also consisted of capital asset purchases including the purchases of office furniture, computer software, and computer hardware and totaled $0.5 million as compared to $0.2 million in the same period in 2003. Mannatech negotiates with certain financial institutions to lease certain computer hardware through master operating leases rather than using its cash to purchase capitalized computer hardware. Master operating leases allow Mannatech to lease certain computer hardware at a reduced cost. At the end of the lease, Mannatech has the option to either purchase the computer hardware for the estimated fair value or return the computer hardware to the financial institution at no additional cost. Mannatech believes that by utilizing operating leases to fund its computer hardware needs it is able to minimize its cash outlays while continuing to optimize its technological needs. Mannatech is planning a two-year project of upgrading and fully integrating its back-office systems, which it plans to be fully implemented in 2006. Mannatech intends to spend a total of $6.0 million to $8.0 million related to this project. Certain of these costs relate to the programming and implementation of the software and will be capitalized during the remainder of 2004 and into 2005. In addition, for the remainder of 2004 and 2005, Mannatech may purchase up to $2.5 million in various capitalized assets primarily related to its planned international expansion.

Financing Activities

In the first quarter of 2004, Mannatech's financing activities used $2.5 million in cash as compared to using $0.3 million in the same period in 2003. During the first three months of 2004, Mannatech received cash proceeds from stock option activity of $0.2 million, which was primarily offset by cash used to pay cash dividends to its shareholders of $2.6 million. In the first quarter of 2003, Mannatech used cash to repay its note payable and capital leases of approximately $0.1 million.

General Liquidity and Cash Flows

Historically, Mannatech has generated positive cash flows from its operations and believes that its existing liquidity and cash flows from operations, including cash and investments totaling $41.9 million and access to a $1.0 million master operating lease line-of-credit, should be adequate to fund expected business operations and its plans for international expansion and new back-office systems for the next 12 to 24 months. Mannatech believes its existing liquidity and cash flows will be adequate for its future as most of its operating expenses are variable in nature. However, if Mannatech's existing capital resources or cash flows become insufficient to meet its current business plans, projections, and existing capital requirements, Mannatech would be required to raise additional funds, which may not be available on favorable terms, if at all.

Mannatech is required to fund its future commitments and obligations, which as of March 31, 2004 are as follows:

- funding the remaining payments related to severance agreements with former executives. Under the terms of various separation agreements, Mannatech is required to pay the remaining aggregate amount of $1.0 million, of which $0.7 million will be paid over the next 12 months;
- funding up to $1.7 million of estimated unpaid costs related to its 2004 annual travel incentive award;
- funding an estimated $4.3 million of royalty payments for future royalties associated with projected sales to various individuals;
- funding the remaining non-compete payments of $75,000 to Dr. Reg McDaniel, a former employee, payable in monthly installments of $25,000 through June 2004;
- funding its five year purchase agreement of $2.0 million to a supplier of a raw material used in Mannatech's new antioxidant product; and
- funding various operating leases for building and equipment rental of $4.0 million through 2007.

In addition to Mannatech's current obligations related to its accounts payable and accrued expenses for its current operations, the approximate future maturities of Mannatech's existing commitments and obligations are as follows:

	For the nine months ended December 31,	For the twelve months ended December 31,				
	2004	2005	2006	2007	2008	Total
	(in thousands)					
Severance payments to former executives and employees	$ 644	$ 359	$ —	$ —	$ —	$ 1,003
Funding the remaining costs for its 2004 annual travel incentive award	1,700	—	—	—	—	1,700
Royalty obligations for expected sales in the future	675	900	900	900	900	4,275
Non-compete payments to Dr. McDaniel, a former employee	75	—	—	—	—	75
Funding the purchase commitment to a supplier for raw materials	400	400	400	400	400	2,000
Minimum rental commitment related to noncancelable operating leases	1,702	1,089	894	308	—	3,993
Totals	$ 5,196	$ 2,748	$ 2,194	$ 1,608	$ 1,300	$ 13,046

Mannatech has no present commitments or agreements with respect to acquisitions or purchases of any manufacturing facilities. Since 1994, Mannatech has maintained a purchase commitment with its supplier of Manapol®. In 2003, the purchase commitment was modified to include purchases by its manufacturers, as well as from Mannatech. The purchase commitment requires a collective minimum purchase by Mannatech and its manufacturers of $0.3 million per month through November 2004. Presently Mannatech's manufacturers' monthly purchases of Manapol® have met or exceeded the monthly-required commitment of $0.3 million. Mannatech's projected finished goods purchases are expected to meet the required minimum monthly purchase commitment in 2004.

Mannatech intends to continue to open additional operations in new foreign markets. Mannatech plans to expand into South Korea in the third quarter of 2004 and into Taiwan in the first quarter of 2005. The expansion into South Korea and Taiwan is estimated to cost between $4.0 million and $6.0 million in the aggregate, of which approximately $1.5 million will relate to capital asset purchases that will be depreciated over the life of the assets or lease term.

Mannatech is planning to develop and implement fully-integrated back-office systems and expects to incur costs in 2004 and 2005 totaling between $6.0 million and $8.0 million. In addition, in 2004 and 2005, Mannatech plans to purchase various other capital assets of up to $1.0 million per year.

Recent Financial Accounting Standards Board Statements

FIN 46. In January 2003, FASB issued Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities.” FIN 46 is effective for variable interest entities created after January 31, 2003 and is required to be adopted for variable interest entities that existed prior to February 1, 2003 by December 31, 2003. FIN 46 is an interpretation of Accounting Research Bulletin No. 51, “Consolidated Financial Statements.” FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity’s activities, entitled to receive a majority of the entity’s residual returns or both. The adoption of this interpretation did not have a significant impact on Mannatech’s consolidated financial condition, results of operations, or cash flows.

FIN 46R. In December 2003, FASB issued a revision to FIN 46 (“FIN 46R”), to clarify some of the provisions and to exempt certain entities from its requirements. Under the new guidance, special effective date provisions apply to enterprises that have fully or partially applied FIN 46 prior to issuance of the revised interpretation. Otherwise, application of FIN 46R is required in financial statements of public entities that have interests in structures that are commonly referred to as special-purpose entities (“SPE’s”) for periods ending after December 15, 2003. Application by public entities, other than business issuers, for all other types of variable interest entities other than SPE’s is required in financial statements for periods ending after March 15, 2004. Mannatech does not have interest in structures commonly referred to as SPE’s, therefore the adoption of FIN 46R is not expected to have a material impact on Mannatech’s consolidated financial position, results of operations or cash flows.

Forward-Looking Statements

Certain disclosure and analysis included in this report includes 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, which are subject to various risks and uncertainties. Opinions, forecasts, projections, guidance, or other statements, other than statements of historical fact are considered forward-looking statements and reflect the current views of Mannatech about future events and financial performance. These forward-looking statements are subject to certain events, risks, and uncertainties that may be outside Mannatech's control. Some of these forward-looking statements include statements regarding:

- existing capital resources, cash flows, and the operating lease line-of-credit being adequate to fund Mannatech's future cash needs;
- future plans related to Mannatech's budgets, future capital requirements, market share growth, and anticipated capital projects and obligations;
- the realization of Mannatech's deferred tax assets;
- the expected future cash flows of Mannatech's assets exceeding the net book value of such assets;
- the impact of future market changes due to exposure to foreign currency translations on Mannatech's business;
- the impact of Mannatech's product development strategy;
- Mannatech's ability to offer innovative incentives in the future;
- no significant impact of recent accounting pronouncements on Mannatech's financial condition, results of operations, or cash flows;
- the outcome of regulatory and litigation matters;
- the possibility of certain policies, procedures, and internal processes combating Mannatech's exposure to market risk; and
- other assumptions described in this report underlying such forward-looking statements.

Actual results and developments could materially differ from those expressed in or implied by such statements due to a number of factors, including:

- those described in the context of such forward-looking statements;
- changes in inventory costs;
- the future impact of any changes to Mannatech's global career and compensation plan or incentives;
- the ability to attract and retain independent associates and members;
- timely development and acceptance of new products and refinements of existing products;
- changes in product mix;
- the markets for Mannatech's domestic and international operations;
- changes in global statutory tax rates;
- the impact of new competition and competitive products and pricing;
- the political, social and economic climate in which Mannatech conducts its operations; and
- the risk factors described in other documents and reports filed by Mannatech with the Securities and Exchange Commission.

Forward-looking statements generally can be identified by the use of or phrases or terminology such as “may,” “will,” “should,” “could,” “expects,” “plans,” “hopes,” “intends,” “anticipates,” “believes,” “estimates,” “approximates,” “predicts,” “potential,” “projects,” “in the future,” or “continues” or other similar words or the negative of such terms and other comparable terminology. Similarly, descriptions of Mannatech’s objectives, plans, strategies, targets or beliefs contained herein are also considered forward-looking statements. Readers are cautioned when considering these forward-looking statements to keep in mind these risks and uncertainties and any other cautionary statements in this report, as all of the forward-looking statements contained herein speak only as of the date of this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Mannatech does not engage in trading market risk sensitive instruments and does not purchase investments as hedges or for purposes “other than trading” that are likely to expose it to certain types of market risk, including interest rate, commodity price, or equity price risk. Although Mannatech has some investments, there has been no material change in its exposure to interest rate risk. Mannatech has not issued any debt instruments, entered into any forward or futures contracts, purchased any options, or entered into any swaps.

Mannatech is 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 may affect Mannatech’s financial results. Changes in exchange rates could positively or negatively affect its financial results, as expressed in United States dollars. When the United States dollar strengthens against currencies in which products are sold or weakens against currencies in which Mannatech incurs costs, net sales and costs could be adversely affected.

Mannatech believes inflation has not had a material impact on its operations or profitability. Mannatech expanded into Canada in 1996, into Australia in 1998, into the United Kingdom in 1999, into Japan in 2000, and into New Zealand in 2002. Mannatech’s New Zealand operation is serviced through its Australian operations. Mannatech plans to expand its international operations into South Korea in the third quarter of 2004 and into Taiwan in the first quarter of 2005. Revenues and expenses in foreign markets are currently translated using historical and weighted-average currency exchange rates.

Mannatech maintains policies, procedures, and internal processes that it believes help monitor any significant market risks. Mannatech currently does not use any financial instruments to manage its exposure to such risks. The sensitivity of earnings and cash flows to variability in currency exchange rates is assessed by applying an appropriate range of potential rate fluctuations to Mannatech’s assets, obligations, and projected transactions denominated in foreign currencies. Mannatech cautions that it cannot predict with any certainty its future exposure to such currency exchange rate fluctuations or the impact, if any, such fluctuations may have on its future business, product pricing, consolidated financial condition, results of operations, or cash flows. However to combat such risk, Mannatech closely monitors current fluctuations for exposure to such market risk. The foreign currencies in which Mannatech currently has exposure to foreign currency exchange rate risk include the currencies of Canada, Australia, the United Kingdom, Japan, New Zealand, South Korea, and Taiwan. The low and high currency exchange rates to the United States dollar, for each of these countries, for the three months ended March 31, 2004 are as follows:

Country/Currency	Low	High
Australia/Dollar	$ 0.73230	$ 0.79860
Canada/Dollar	$ 0.74530	$ 0.78690
Japan/Yen	$ 0.00892	$ 0.00949
New Zealand/Dollar	$ 0.64450	$ 0.70970
South Korea/Won	$ 0.00084	$ 0.00088
Taiwan/Dollar	$ 0.02939	$ 0.03026
United Kingdom/British Pound	$ 1.78390	$ 1.90400

Item 4. Controls and Procedures

Mannatech's management, with the participation of its Chairman of the Board and Chief Executive Officer (its principal executive officer) and its Chief Financial Officer (its principal financial officer) have concluded, based on their evaluation as of the end of the period covered by this report, that its disclosure controls and procedures are effective to ensure that information required to be disclosed by Mannatech in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by Mannatech in such reports is accumulated and communicated to its management, including its principal executive officer and financial officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in Mannatech's internal controls during the first quarter of 2004 that have materially affected or are reasonably likely to materially affect its internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Mannatech was notified in February 2003 by the New Zealand Ministry of Health of an investigation of the sales practices of some of its New Zealand independent associates. The matter was investigated and Mannatech disciplined the independent associates related to this matter. The New Zealand Ministry of Health has continued to monitor Mannatech's actions and reserves the right to prosecute individual associates or Mannatech in the event of any further violations.

In March 2004, MedSafe, a business unit of the New Zealand Ministry of Health, notified Mannatech that several of its independent associates in New Zealand were using promotional materials that made therapeutic claims to promote Mannatech's products, which claims were in violation of the New Zealand's Medicines Act 1981. In response to the inquiry and allegations from MedSafe, Mannatech initiated disciplinary investigation proceedings against the named independent associates identified by MedSafe and discovered that unapproved materials were being used by its New Zealand independent associates. The matter remains open, pending the conclusion of Mannatech's disciplinary proceedings against its associates and submission of its findings to MedSafe. In addition, Mannatech intends to introduce additional training materials to further inform its New Zealand independent associates about the regulatory environment and relevant New Zealand legal requirements.

There have been no other material changes in, or additions to, the legal proceedings previously reported in Mannatech's Annual Report on Form 10-K (File No. 000-24657) for 2003 as filed with the United States Securities and Exchange Commission on March 14, 2004.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

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

None.

Item 5. Other Information

None.

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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 May 19, 1998, incorporated herein by reference to Exhibit 3.1 in Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on October 28, 1998.
3.2	Fourth Amended and Restated Bylaws of Mannatech dated August 8, 2001, incorporated herein by reference to Exhibit 99.1 in Mannatech's Form 8-K (File No. 000-24657) filed with the Commission on August 22, 2001.
4.1	Specimen Certificate representing Mannatech's common stock, par value $0.0001 per share, incorporated herein by reference to Exhibit 4.1 in Mannatech's Amendment No. 1 to Form S-1 (File No. 333-63133) filed with the Commission on October 28, 1998.
10.1*	Supply Agreement dated March 29, 2004 by and between Mannatech and a supplier. (Portions of this exhibit have been omitted pursuant to a confidential treatment request submitted pursuant to Rule 24b-2.)
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer of Mannatech.
31.2*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer of Mannatech
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer of Mannatech.
32.2*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer of Mannatech.

* filed herewith.

****** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(b) Reports on Form 8-K.

Mannatech filed a Form 8-K on March 11, 2004 announcing its financial and operating results for the fourth quarter and year ended December 31, 2003.

SIGNATURES

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

MANNATECH, INCORPORATED

May 10, 2004

/S/ SAMUEL L. CASTER

Samuel L. Caster
Chief Executive Officer and Chairman of the Board
(principal executive officer)

May 10, 2004

/S/ STEPHEN D. FENSTERMACHER

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

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INDEX TO EXHIBITS

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Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as *****. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

Exhibit 10.1

SUPPLY AGREEMENT

This Supply Agreement ("Supply Agreement") is effective as of March 29, 2004 and is between MANNATECH, INC. a Texas corporation ("MANNATECH") with its principal place of business located at 600 S. Royal Lane, Suite 200, Coppell, Texas 75019 and ITS SUPPLIER **** with its principal place of business located at ****, hereinafter collectively referred to as "Parties".

W I T N E S S E T H

WHEREAS, MANNATECH manufactures and sells a range of dietary supplements for consumers in the United States, Australia, New Zealand, Canada, Japan and the United Kingdom;

WHEREAS, ITS SUPPLIER sources, processes and freeze-dries a wild bush dried powder native to Australia (the "Powder") which may be used as an ingredient in MANNATECH's Dietary Supplements;

WHEREAS, ITS SUPPLIER has made a provisional patent application in Australia for an invention known as a fruit processing device;

WHEREAS, ITS SUPPLIER desires to sell to MANNATECH and MANNATECH desires to purchase from ITS SUPPLIER, the Powder for inclusion in its existing and new product lines in quantities, at the price and upon the terms and conditions set forth herein; and between the Parties pursuant to which on the terms and conditions set out in this agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. Term.

1.1 Initial Term

This Agreement commences on the effective date above, subject to the terms and conditions of this Agreement and continues in full force and effect for five (5) years during the Initial Term.

1.2 Renewal

ITS SUPPLIER grants to MANNATECH an option to renew this Agreement for a further period of five (5) - one (1) year renewal terms on the same terms and conditions, with the exception of this clause, such option to be exercisable by MANNATECH by notice in writing given not less than three (3) months prior to the expiration of the Initial Term.

2. Sale and Purchase.

2.1 ITS SUPPLIER will supply the Powder consistent with the attached Raw Material and Starting Material specifications as indicated and attached hereto as Exhibits "A" and "B", respectively, such specifications may be amended from time-to-time as mutually agreed upon by the Parties hereto.

2.2 Subject to the terms and conditions of this Agreement, ITS SUPPLIER shall sell to MANNATECH and MANNATECH shall purchase from ITS SUPPLIER, not less than 1,000 kilograms of Powder per year during the Term (the "Minimum Amount"). In the event that MANNATECH reasonably anticipates that it shall require more Powder than its prior order, ITS SUPPLIER will exert its best reasonable effort to deliver such additional amounts.

2.3 ITS SUPPLIER shall be responsible for making arrangements to ensure that the harvesting and supply of raw materials is legal in Australia and that the export of Powder from Australia is legal at all times, subject to Article 18.

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3. Forecast and Reserve Amount.

ITS SUPPLIER will guarantee the continuity of supply based on Mannatech's demand. Mannatech, to the best of its abilities will provide a one (1) year forecast of its anticipated Powder requirements (the "Forecast"). The Forecast will be prepared in October for the following calendar year. Mannatech will work with ITS SUPPLIER to develop a level of safety stock based on seasonal crop variations (the "Reserve Amount"). ITS SUPPLIER will carry safety stock, at an agreed level, in excess of any stock ordered by Mannatech and will notify Mannatech, in writing, immediately upon discovering that it may not be able to meet Mannatech's demand, for any reason whatsoever.

4. Minimum Purchase.

4.1 MANNATECH is not obligated to purchase the Forecast Amount or the Reserve Amount; however MANNATECH agrees to order and ITS SUPPLIER agrees to supply the Minimum Amount.

4.2 If MANNATECH orders less than the Minimum Amount, MANNATECH agrees to pay ITS SUPPLIER at the end of the calendar year the difference between the price of the amount ordered in the calendar year and the price of the Minimum Amount.

4.3 If ITS SUPPLIER is unable, or anticipates it will be unable to supply the Powder, ITS SUPPLIER will immediately notify MANNATECH in writing that it is unable to supply the Powder and will arrange for the refund of all outstanding pre-payments within fifteen (15) calendar days of notification.

5. Order & Delivery.

5.1 MANNATECH to place orders

MANNATECH will place orders for the Powder with ITS SUPPLIER from time-to-time ("Orders"). Orders must be in writing and specify:

(a) the quantity of Powder required;

(b) the port of shipment and details of the relevant ship; and

(c) the delivery date.

5.2 Rejection of order

ITS SUPPLIER may only reject an Order from MANNATECH if:

(a) ITS SUPPLIER has supplied the Minimum Amount in the calendar year;

(b) ITS SUPPLIER has supplied the Forecast and Reserve Amount for the calendar year; and

(c) ITS SUPPLIER does not have any remaining Powder (including any Reserve Amount).

5.3 Delivery

MANNATECH and ITS SUPPLIER agree that ITS SUPPLIER will deliver the Powder to MANNATECH at 445 S. Royal Lane, Suite 600, Coppell, Texas 75019 USA. MANNATECH agrees that it will identify in the Order, the port of shipment to the USA of the Powder and MANNATECH will pay or reimburse ITS SUPPLIER for the cost of shipment from the Australian port of shipment to the warehouse in the USA nominated by MANNATECH.

6. Price & Payment.

6.1 The Parties agree that for the first year of the Term, ITS SUPPLIER will sell the Powder to MANNATECH at a price of ****. ("Price"). All payment shall be in Australian dollars.

6.2 MANNATECH will pay fifty percent (50%) of total invoice at the time the Order is placed. Final payment is due within fifteen (15) business days after MANNATECH accepts or is deemed to have accepted the compliance of the powder as in Article 7 hereof.

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6.3 The Parties agree that, at least thirty (30) days prior to the twelve month period ending each year after the effective date and each Renewal Term thereafter, (the "Anniversary Date"), MANNATECH and ITS SUPPLIER will agree in writing on the price of the Powder to be sold by ITS SUPPLIER and purchased by MANNATECH hereunder during such additional one-year period. At least sixty (60) days prior to the Anniversary Date, ITS SUPPLIER and MANNATECH shall commence good faith negotiations to determine and agree upon such Price for such additional one-year period. The foregoing notwithstanding, in no event shall the Price exceed AUD $570 per kg. If MANNATECH and ITS SUPPLIER are unable to so agree on such Price, the Parties may terminate this Agreement at the end of the then-current Term. Nothing contained in this Paragraph shall be deemed to (i.) obligate MANNATECH and ITS SUPPLIER to agree upon such Price, (ii.) obligate a party to negotiate with the other party regarding such Price if the other party is then in breach of or in default under this Agreement or (iii) limit the rights of MANNATECH and ITS SUPPLIER under Article 18 hereof.

7. Inspection & Non-Compliance.

7.1 MANNATECH has the right to inspect and test the Powder as contemplated herein, to the extent practicable and at all places and times, including the period of manufacture, and in any event prior to acceptance thereof. MANNATECH shall perform inspections and tests for quality assurance in a manner that will not unduly delay the production of the Powder. MANNATECH may require repair, reformulation or replacement of non-conforming Powder, constituting, without limitation of the foregoing, unacceptable manufacture, scientific validation, safety, efficacy and nonconformity with applicable law. MANNATECH reserves the right to run adequate testing, at its sole expense, to determine whether the Powder conforms to the specifications as contemplated hereby. Use of a portion of the Powder for testing purposes does not constitute acceptance thereof. In the event of a dispute over test results, the arbiter will be the Australian Government Analytical Laboratories or an FDA certified laboratory in the USA.

7.2 Inspection of Manufacturing Processes

ITS SUPPLIER will provide reasonable access to nominated representatives of MANNATECH to ITS SUPPLIER'S facilities or subcontracted facilities to monitor ITS SUPPLIER'S compliance with its obligations under this Agreement and perform any tests deemed necessary to ensure the Powder is manufactured in accordance with the Product Specifications. MANNATECH agrees to ensure its nominated representatives comply with any reasonable instructions given to the representative by ITS SUPPLIER while the representative is on ITS SUPPLIER'S premises.

7.3 Inspection and Testing of Powder

7.3.1 MANNATECH will inspect the Powder and carry out quality assurance tests ("QAT") and to ensure compliance with the terms of this Agreement within thirty (30) days of the Powder being received by MANNATECH at its nominated warehouse in the United States ("Acceptance Period"). If MANNATECH inspects the Powder, carries out the QAT and collects the Powder without notifying ITS SUPPLIER within fourteen (14) business days of any non-complying Powder, MANNATECH will be deemed to have accepted compliance of the Powder.

7.3.2 If MANNATECH fails to carry out an inspection and the QAT within the Acceptance Period, it is deemed to have accepted compliance of the Powder on the terms of this Agreement.

7.4 Non-complying Products

If during the Acceptance Period:

7.4.1 MANNATECH acting reasonably considers that the Powder delivered to MANNATECH by ITS SUPPLIER does not comply with the Product Specifications or any applicable laws, regulations or industry standards or does not satisfy the QAT ("Non-Complying Powder"); and

7.4.2 The relevant non-compliance, in the reasonable opinion of MANNATECH occurred during the manufacture or packaging of the Powder by ITS SUPPLIER, then MANNATECH:

(a) Must immediately notify ITS SUPPLIER of the alleged Non-Complying Powder and the details of the alleged non-compliance (including any relevant test results); and

(b) Isolate all Non-Complying Powder delivered in the same shipment; and

(c) Allow ITS SUPPLIER (or its agent or representative) to inspect the Non-Complying Powder which has been isolated by MANNATECH.

7.5 Reimbursement of Reasonable Costs

If ITS SUPPLIER or its agent or representative

7.5.1 agrees that the Powder isolated by MANNATECH is Non-Complying, it must reimburse the costs incurred by MANNATECH in isolating the Non-Complying Powder, collect the Non-Complying Powder from MANNATECH and, at ITS SUPPLIER'S option, either

(a) replace the amount of Non-Complying Powder with complying Powder; or

(b) if ITS SUPPLIER has already been paid for the Non-Complying Powder, refund an amount equal to the invoiced price of the Non-Complying Powder; or

(c) if ITS SUPPLIER has not been paid, issue a new invoice to MANNATECH with a reduction in price equal to the invoiced price for the Non-Complying Powder; or

(d) does not agree with MANNATECH that any of the Non-Complying Powder rejected are non-complying, then the dispute resolution provisions of clause 7.6 shall apply.

7.6 Product Conformity Arbitration

If the Parties cannot agree whether the Powder is non-complying, the Parties may appoint an arbitrator to settle the dispute (the cost of which shall be equally shared by the Parties) from:

7.6.1 the Australian Government Analytical Laboratories; or

7.6.2 an FDA certified laboratory in the United States nominated by MANNATECH.

8. Title & Risk.

Title and risk in the Powder which is subject to an Order passes from ITS SUPPLIER to MANNATECH when compliance of the Powder is accepted or is deemed to have been accepted in accordance with clause 7.3 and payment has been made in full.

9. Marketing.

9.1 Marketing the Dietary Supplements

The Parties agree that any Dietary Supplement (or other such product) which has the Powder as an ingredient will be marketed under the MANNATECH Intellectual Property.

9.2 Product Information.

ITS SUPPLIER will provide to MANNATECH all reasonably accessible scientific data, safety data, efficacy studies and other relevant information ("Product Information") to substantiate any and all of ITS SUPPLIER'S claims about the Powder.

9.3 Marketing the Product

MANNATECH will use its best endeavors to market the Powder, including without limitation, preparing appropriate marketing materials and training for MANNATECH's distributors.

10. Exclusivity.

10.1 During the Term and any Renewal Term of this Agreement, ITS SUPPLIER agrees that it will provide the Powder (for sale or otherwise) only to Mannatech for inclusion in its dietary supplements worldwide Except as expressly permitted by written approval of Mannatech, ITS SUPPLIER may not sell the Powder to any other company or individual for use in a Dietary Supplement. ITS SUPPLIER may sell excess Powder to other companies provided it receives written assurances that the Powder will only be used for other than in Dietary Supplements and/or listed medicines and only upon prior written consent of MANNATECH, which will not be unreasonably withheld.

10.2 For the purpose of this Agreement "Dietary Supplement" is defined as a finished product, in tablet, capsule or powder form, for nutritional purposes or similar uses as permitted in the USA under DSHEA; Australia in listed or registered oral complementary medicines as defined in the Therapeutic Goods Act; and similar products in other countries.

10.3 Without limitation of the foregoing, ITS SUPPLIER may not sell Powder in any form or fashion to any of MANNATECH'S Independent Associates. For the purposes of this Agreement, an Associate is an individual or business entity which has been assigned a MANNATECH account number, is bound by MANNATECH'S Associate Agreement and the terms and conditions related thereto, and which has placed at least one order for MANNATECH products during the prior twelve (12) month period. For the purposes of this paragraph, "Associates" shall also be defined to include individuals participating in MANNATECH'S "Member" program.

11. Quality.

ITS SUPPLIER warrants to MANNATECH that all Powder sold by ITS SUPPLIER pursuant to this Agreement will conform to the quality specifications set forth in Exhibits A & B to this Agreement. **ITS SUPPLIER REPRESENTS THAT THE POWDER MEETS THE SPECIFICATIONS OUTLINED ON THE ATTACHED EXHIBITS A & B AND THAT IT IS AN INGREDIENT APPROVED FOR USE IN COMPLEMENTARY MEDICINES UNDER THE THERAPEUTIC GOODS ACT.**

12. ITS SUPPLIER'S Warranties.

ITS SUPPLIER warrants to MANNATECH that:

12.1 the Powder will be harvested, processed and packaged so that it meets the Product Specifications;

12.2 the performance of its obligations under this Agreement does not breach any other agreement to which it is a party, including but not limited to, any agreements with its customers or suppliers;

12.3 ITS SUPPLIER has all necessary licenses, permits and approvals necessary to harvest, process and export Powder to the United States and that such harvesting, processing and exporting will not contravene any laws or regulations of the Commonwealth of Australia;

12.4 The harvesting, processing and supply of the raw materials complies with all applicable law, regulations and industry standards in Australia;

12.5 The Powder will, when exported comply with all applicable law, regulations and industry standards in Australia; and

12.6 The Powder will not violate or infringe any patent or copyright in Australia and New Zealand or constitute the misuse or misappropriation of any trade secret or confidential information which is the subject of an agreement or legal requirement involving a third-party.

13. Termination.

Mannatech may terminate this Agreement immediately by written notice to ITS SUPPLIER if:

13.1 A person (other than a person who is a related body corporate of ITS SUPPLIER) directly or indirectly becomes entitled to or acquires more than 50% of the voting shares of ITS SUPPLIER;

13.2 ITS SUPPLIER disposes of part or all of its assets, operations or business other than in the ordinary course of business (except where that disposal is to a person who is a related body corporate of ITS SUPPLIER);

13.3 ****

13.4 Any governmental authority or regulator imposes restrictions on the harvesting, processing or export of the Powder which has the effect that ITS SUPPLIER is not reasonably able to supply the Minimum Amount; or

13.5 In any year a substantial portion, for example 30%, of Powder supplied by ITS SUPPLIER fails to meet the Product Specifications or to satisfy the QAT, or some of the Powder, for example 30%, repeatedly fails to meet such Product Specifications or satisfy the QAT.

14. Confidential Information.

14.1 ITS SUPPLIER recognizes and acknowledges that MANNATECH'S trade name(s), trademarks, copyrights, patents, marketing plans, identity of and related information regarding its Associates, product formulations and other proprietary product information and any information relating to the management/operations of MANNATECH are valuable assets belonging to MANNATECH and as such are the sole property and may constitute trade secrets of MANNATECH. Prior to and during the performance of this Agreement ITS SUPPLIER may have or had access to certain confidential information pertaining to MANNATECH. ITS SUPPLIER specifically agrees ITS SUPPLIER will not at any time, during or after the performance of the Agreement, in any manner, either directly or indirectly, use, divulge, disclose, or communicate to any person, firm or corporation, any confidential information of any kind, nature, or description concerning any matters affecting or relating to the business of MANNATECH (hereinafter referred to as "MANNATECH Confidential Information"). MANNATECH Confidential Information includes but is not limited to: MANNATECH genealogies (being the information held by MANNATECH or by any current or former Associate of MANNATECH related to its Associates including without limitation its relationship with each of its Associates, the Associate's name, address, telephone number, email address, upline and downline, charts, data reports, proprietary product information which may from time-to-time be made known to ITS SUPPLIER, the names or practices of any of MANNATECH'S customers or Associates; MANNATECH'S marketing methods and related data; the names of MANNATECH'S vendors or suppliers; costs of materials; costs of its products generally, the prices MANNATECH obtains or has obtained or at which it sells or has sold its products or services; manufacturing and sales costs; lists or other written records used in MANNATECH's business; compensation paid to its Associates, details of training methods, new products or new uses for old products, merchandising or sales techniques, contracts and licenses, business systems, computer programs, or any other confidential information of, about, or concerning the business of MANNATECH; its manner of operation or other confidential data of any kind, nature or description.

14.2 ITS SUPPLIER agrees to use the MANNATECH Confidential Information only for MANNATECH business and shall return copies of any written MANNATECH Confidential Information in ITS SUPPLIER'S possession to MANNATECH forthwith upon written demand and upon termination of this Agreement for whatever reason.

14.3 Notwithstanding anything to the contrary contained in this Agreement or the License Agreement,

14.3.1 ITS SUPPLIER shall have no obligation to maintain in confidence or return to MANNATECH any information (i) that was known to ITS SUPPLIER prior to its disclosure to ITS SUPPLIER by MANNATECH or any of its current or former Associates and that did not become known to ITS SUPPLIER through disclosure by a person who was then known actually by ITS SUPPLIER to have obtained such information or made such disclosure in violation of any obligation to MANNATECH, (ii) that is now in or hereafter enters the public domain other than due to a breach by ITS SUPPLIER of this paragraph 14, (iii) that is disclosed to ITS SUPPLIER by a third party who is not actually known by ITS SUPPLIER to have obtained or disclosed such information in violation of any obligation to MANNATECH, or (iv) that is independently developed by ITS SUPPLIER without the aid, application or use of any MANNATECH Confidential information disclosed to ITS SUPPLIER; and

****** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

14.3.2 ITS SUPPLIER may make any disclosure of MANNATECH Confidential Information (i) that it is necessary or appropriate to make in order to carry out its obligations under any written agreement with MANNATECH, (ii) that it is required or permitted to make pursuant to any written consent of or written agreement with MANNATECH or (iii) that it is required by law to make.

14.4 MANNATECH recognizes and acknowledges that ITS SUPPLIER'S trade name(s), trademarks, copyrights, patents, marketing plans, product formulations, know-how, compounds, products, processes, designs, production methods and techniques and other proprietary product information and any information relating to the management/operations of ITS SUPPLIER are valuable assets and confidential information belonging to ITS SUPPLIER and as such are the sole property of ITS SUPPLIER and may constitute trade secrets of ITS SUPPLIER. Prior to and during the performance of the Agreement, MANNATECH may have or had access to certain confidential information pertaining to ITS SUPPLIER. MANNATECH specifically agrees it will not at any time, during or after the performance of this Agreement, in any manner, either directly or indirectly, use, divulge, disclose, or communicate to any person, firm or corporation, any confidential information of any kind, nature, or description concerning any matters affecting or relating to the business of ITS SUPPLIER (hereinafter referred to as "ITS SUPPLIER Confidential Information"). ITS SUPPLIER Confidential Information includes but is not limited to: the names or practices of any of ITS SUPPLIER'S customers; ITS SUPPLIER'S marketing methods and related data; the names of ITS SUPPLIER'S vendors or suppliers; costs of materials; costs of its products generally, the prices ITS SUPPLIER obtains or has obtained or at which it sells or has sold its products or services; manufacturing and sales costs; lists or other written records used in ITS SUPPLIER'S business; details of training methods, new products or new uses for old products, merchandising or sales techniques, contracts and licenses, business systems, computer programs, or any other confidential information of, about, or concerning the business of ITS SUPPLIER; its manner of operation or other confidential data of any kind, nature or description.

14.5 MANNATECH agrees to use the ITS SUPPLIER Confidential Information only for ITS SUPPLIER business and shall return copies of any written ITS SUPPLIER Confidential Information in its possession to ITS SUPPLIER forthwith upon written demand and upon termination of this Agreement for whatever reason.

14.6 Notwithstanding anything to the contrary contained in this Agreement,

14.6.1 MANNATECH shall have no obligation to maintain in confidence or return to ITS SUPPLIER any information (i) that was known to MANNATECH prior to its disclosure to MANNATECH by ITS SUPPLIER that did not become known to MANNATECH through disclosure by a person who was then known actually by MANNATECH to have obtained such information or made such disclosure in violation of any obligation to ITS SUPPLIER, (ii) that is now in or hereafter enters the public domain other than due to a breach by MANNATECH of this paragraph 14, (iii) that is disclosed to MANNATECH by a third party who is not actually known by MANNATECH to have obtained or disclosed such information in violation of any obligation to ITS SUPPLIER, or (iv) that is independently developed by MANNATECH without the aid, application or use of any ITS SUPPLIER Confidential information disclosed to MANNATECH; and

14.6.2 MANNATECH may make any disclosure of ITS SUPPLIER Confidential Information (i) that it is necessary or appropriate to make in order to carry out its obligations under any written agreement with ITS SUPPLIER, (ii) that it is required or permitted to make pursuant to any written consent of or written agreement with ITS SUPPLIER or (iii) that it is required by law to make.

15. No Agency.

Nothing contained or implied in this Agreement constitutes a party the partner, agent or legal representative of another party for any purpose or creates any partnership, agency or trust, and no party has any authority to bind the other party in any way.

16. Disclaimer and Indemnity.

ITS SUPPLIER shall defend, indemnify and hold harmless MANNATECH and its affiliates, and respective officers, directors, employees and agents, from and against all claims, liabilities, demands, damages, expenses and losses (including reasonable attorneys' fees and expenses) arising out of or connected with any breach by ITS SUPPLIER of any of its obligations under this Agreement.

17. Force Majeure.

ITS SUPPLIER shall not have any liability hereunder if it shall be prevented from performing any of its obligations hereunder by reason of any factor beyond its control, including without limitation, fire, explosion, accident, riot, flood, drought, storm, earthquake, lightening, frost, civil commotion, sabotage, vandalism, smoke, hail, embargo, act of God or the public enemy, other casualty, strike or lockout, interference, prohibition or restriction imposed by any government or any officer or agent, or a change in the policy of the traditional landowners thereof ("Force Majeure"), and ITS SUPPLIER'S obligations, so far as may be necessary, shall be suspended during the period of such Force Majeure and shall be cancelled in respect of such quantities of Powder as would have been sold hereunder but for such suspension. ITS SUPPLIER shall give MANNATECH prompt notice of any such Force Majeure, the date of commencement thereof and its probable duration and shall give a further notice in like manner upon termination thereof. Each party hereto shall endeavor with due diligence to resume compliance with its obligations hereunder at the earliest date and shall do all that it reasonably can to overcome or mitigate the effects of any such Force Majeure upon its obligations under this Agreement.

18. Rights Upon Default.

18.1 ITS SUPPLIER'S Rights Upon Default.

If MANNATECH (i.) fails to purchase the quantities of Powder specified for purchase by MANNATECH hereunder, (ii.) fails to make a payment hereunder when due, or (iii.) otherwise breaches any term of this Agreement, and such failure or breach is not cured to ITS SUPPLIER'S reasonable satisfaction within fifteen (15) business days (in the case of a failure to make a payment) or thirty (30) calendar days (in any other case) after receipt of notice thereof by MANNATECH, or if MANNATECH fails to perform or observe any covenant or condition on its part to be performed or observed when required to be performed and observed, and such failure continues after the applicable grace period, if any, specified in this Agreement, ITS SUPPLIER may refuse to make further deliveries hereunder and may terminate this Agreement upon notice to MANNATECH, and in addition, shall have such other rights and remedies, including the right to recover damages, as are available to ITS SUPPLIER under applicable law or otherwise.

18.2 MANNATECH'S Rights Upon Default.

If ITS SUPPLIER fails in any material respect to perform its obligations hereunder, and such failure is not cured to MANNATECH'S reasonable satisfaction within thirty (30) calendar days after notice thereof by MANNATECH, MANNATECH shall have the right to refuse to accept further deliveries hereunder and to terminate this Agreement upon notice to ITS SUPPLIER, and in addition, shall have such other rights and remedies, including the right to recover damages, as are available to MANNATECH under applicable law or otherwise. Any subsequent delivery of Powder to MANNATECH after any default by ITS SUPPLIER under this Agreement shall not constitute a waiver of any rights of MANNATECH arising out of such prior default; nor shall MANNATECH'S failure to insist upon strict performance of any provision of this Agreement be deemed a waiver by MANNATECH of any of its rights or remedies hereunder or under applicable law or a waiver by MANNATECH of any subsequent default by ITS SUPPLIER in the performance of or compliance with any of the terms of this Agreement.

19. Further Assurances.

The Parties shall execute and deliver such additional documents and take such additional actions as either Party may reasonably deem to be necessary or appropriate to more fully consummate the transactions contemplated by and affect the purposes of this Agreement. All such additional documents and actions shall be deemed to have been executed, delivered or taken on the date of this Agreement, except as may otherwise be appropriate.

20. Authority.

The Parties represent that they have full capacity and authority to grant all rights and assume all obligations they have granted and assumed under this Agreement.

21. Succession.

The Parties hereto may not assign or otherwise transfer this Agreement or any of its rights or obligations hereunder (including, without limitation, by merger or consolidation) without the prior written consent of the other party. Subject to the immediately preceding sentence, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns.

22. Notices.

All notices and other communications with respect to this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or three (3) days following deposit in the mails, first class mail, postage prepaid, to the address set forth below, or such other address hereafter specified in like manner by one Party to the other:

If to MANNATECH:	600 S. Royal Lane, #200
	Coppell, Texas 75019
	Attention: General Counsel
If to ITS SUPPLIER:	****
	****
	****

23. Applicable Law; Venue.

This Agreement shall be governed by and construed in accordance with the laws of New South Wales, Australia. Venue of any action brought to enforce or interpret this Agreement shall only be New South Wales, Australia.

24. Interpretation.

If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added as part of this Agreement, a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

25. No Inconsistent Actions.

Each party hereto agrees that it will not voluntarily undertake any action or course of action inconsistent with the provisions or intent of this Agreement and will promptly do all acts and take all measures as may be appropriate to comply with the terms, conditions and provisions of this Agreement.

26. Survival.

The expiration or termination of the Term shall not impair the rights or obligations of the Parties which have accrued hereunder prior to such expiration or termination. The provisions of Paragraphs 12, 16, and 18 hereof, and the rights and obligations of the Parties thereunder, shall survive the expiration or termination of the Term.

27. Entire Agreement.

Except as otherwise contemplated hereby, this Agreement and constitute the entire agreement of the Parties, and supersedes all prior agreements and understandings (oral and written), between or among the parties with respect to the subject matter hereof.

[Signature Page Follows]

****** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

ACCEPTED AND AGREED.

This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same document.

EXECUTED on behalf of the corporation named
below by the authorised person(s) whose signature
appears below pursuant to the authority specified.
Corporation: **** (ITS SUPPLIER)
Authority: Section 127 of the Corporations Law (Australia)

****	****
Signature of authorised person	Signature of authorised person
****	****
Name of authorised person	Name of authorised person
Office held: DIRECTOR	Office held: DIRECTOR

EXECUTED on behalf of the corporation named
below by the authorised person(s) whose signature
appears below pursuant to the authority specified.
Corporation: MANNATECH, INC.
Authority: Section 127 of the Corporations Law (Australia)

/s/ Terry Persinger	***/s/ Jeff Bourgoyne***
Signature of authorised person	Signature of authorised person
March 26, 2004 Terry Persinger Office held: President	March 29, 2004 Jeff Bourgoyne Office held: Senior Vice-President

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Exhibit A

Raw Material Technical Specifications
as of February 19, 2003

Department: Technical RM 101 **Page** 1 of 1
Subject: Australian Bush Plum Powder **Version No:** 1

1. Botanical Name

****

2. Common Names

****

3. Geographical Source

****

4. Plant Part Used

****

5. Type of Preperation

****

6. Characteristics

6.1 **General Appearance (TM 101)**

****

6.2 **Organoleptic Properties (TM 102)**

****

6.3 **Moisture Content (TM 103)**

****

6.4 **Total Ash (TM 104)**

****

6.5 **Heavy Metals (TM 105)**

****

6.6 **Partical Size (TM 106)**

****

6.7 **Ascorbic Acid Content (TM 107)**

****

6.8 **Organochlorine, Organophosphorus Fungicides and Herbicides Residues (TM 108)**

****

6.9 **Microbial Limits**

****

****

****

Presence of E. coli – not detected in 1g
Presence of Salmonella spp. – not detected in 10g

End of Document

Commercial in Confidence

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Exhibit B

Raw Material Technical Specifications
as of February 19, 2003

Department: Technical SM 101 **Page** 1 of 1
Subject: Australian Bush Plum **Version No:** 1

1. Botanical Name

****

2. Common Names

****

3. Plant Part Used

****

4. Geographical Distribution

****

5. Description

****
****
****

****
****
****

6. Characteristics

6.1 **Plant Part**

****

6.2 **General Appearance**

****

6.3 **Organoleptic Properties**

****

6.4 **Cleanliness**

****

6.5 **Purity**

****

6.6 **Organochlorine, Organophosphorus Fungicides and Herbicides**

****

6.7 **Ascorbic Acid Content**

****

End of Document

Commercial in Confidence

****** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit 31.1

Certification of
Chief Executive Officer
of Mannatech, Incorporated

This certification is provided pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, and accompanies the annual report on Form 10-Q for the year ended March 31, 2004 of Mannatech, Incorporated.

I, Samuel L. Caster, the Chief Executive Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mannatech, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a –15(e) and 15d –15(e) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 10, 2004

/s/ Samuel L. Caster

Samuel L. Caster
Chief Executive Officer

Certification of
Chief Financial Officer
of Mannatech, Incorporated

This certification is provided pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, and accompanies the annual report on Form 10-Q for the year ended March 31, 2004 of Mannatech, Incorporated.

I, Stephen D. Fenstermacher, the Chief Financial Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mannatech, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a –15(e) and 15d –15(e) for the registrant and have:
   - c) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - d) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
   - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
   - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 10, 2004

/s/ Stephen D. Fenstermacher

Stephen D. Fenstermacher
Chief Financial Officer

Exhibit 32.1

Certification of
Chief Executive Officer
of Mannatech, Incorporated

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q (the "***Form 10-Q***") for the quarter ended March 31, 2004 of Mannatech, Incorporated (the "Issuer").

I, Samuel L. Caster, the Chief Executive Officer of the Issuer certify that to the best of my knowledge:

(i) the Form 10-Q fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Dated: May 10, 2004

/s/ Samuel L. Caster

Samuel L. Caster
Chief Executive Officer

Subscribed and sworn to before me
This 10th day of May, 2004

/s/ Christina Meissner

Name: Christina Meissner
Title: Notary Public, State of Texas

My commission expires: May 19, 2006

(A signed original of this written statement required by Section 906 has been provided to Mannatech Incorporated and furnished to the Securities and Exchange Commission or its staff upon request).

Exhibit 32.2

Certification of
Chief Financial Officer
of Mannatech, Incorporated

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q (the "***Form 10-Q***") for the quarter ended March 31, 2004 of Mannatech, Incorporated (the "Issuer").

I, Stephen D. Fenstermacher, the Chief Financial Officer of the Issuer certify that to the best of my knowledge:

(i) the Form 10-Q fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Dated: May 10, 2004

/s/ Stephen D. Fenstermacher

Stephen D. Fenstermacher
Chief Financial Officer

Subscribed and sworn to before me
This 10th day of May, 2004

/s/ Christina Meissner

Name: Christina Meissner
Title: Notary Public, State of Texas

My commission expires: March 19, 2006

(A signed original of this written statement required by Section 906 has been provided to Mannatech, Incorporated and furnished to the Securities and Exchange Commission or its staff upon request).