



COMPANY PROFILE

AT YEAR-END 2000, USANA PRODUCTS WERE SOLD DIRECTLY TO APPROXIMATELY 93,000 INDEPENDENT ASSOCIATES AND 76,000 PREFERRED CUSTOMERS THROUGHOUT THE UNITED STATES, CANADA, AUSTRALIA, NEW ZEALAND, HONG KONG, JAPAN, THE UNITED KINGDOM AND THE NETHERLANDS.

MISSION STATEMENT

TO DEVELOP AND PROVIDE THE HIGHEST QUALITY, SCIENCE-BASED HEALTH PRODUCTS, DISTRIBUTED INTERNATIONALLY THROUGH NETWORK MARKETING, CREATING A REWARDING FINANCIAL OPPORTUNITY FOR INDEPENDENT ASSOCIATES, SHAREHOLDERS AND EMPLOYEES.

FINANCIAL HIGHLIGHTS

Consolidated Statements of Earnings Data

IN THOUSANDS, EXCEPT PER SHARE DATA

Fiscal year ended	1996	1997	1998	1999	2000
Net sales	\$ 57,523	\$ 88,543	\$126,291	\$ 134,312	\$123,180
Earnings from operations	\$ 7,901	\$ 10,532	\$ 15,225	\$ 9,614	\$ 5,455
Restructuring and impairment	\$ -	\$ -	\$ -	\$ 4,400	\$ -
Net earnings	\$ 5,035	\$ 6,582	\$ 9,497	\$ 5,901	\$ 2,867
Earnings per share—diluted	\$ 0.38	\$ 0.49	\$ 0.68	\$ 0.47	\$ 0.29
Weighted average shares outstanding—diluted	13,326	13,319	13,929	12,473	9,890

Consolidated Balance Sheet Data

IN THOUSANDS

As of	28-Dec-96	27-Dec-97	2-Jan-99	1-Jan-00	30-Dec-00
Cash and cash equivalents	\$ 1,130	\$ 2,608	\$ 2,617	\$ 1,411	\$ 2,900
Current assets	\$ 9,040	\$ 11,273	\$ 16,615	\$ 15,048	\$ 16,927
Total assets	\$ 21,079	\$ 26,369	\$ 39,426	\$ 36,773	\$ 35,492
Long-term debt, less current maturities	\$ -	\$ -	\$ -	\$ 7,500	\$ 8,000
Stockholders' equity	\$ 12,368	\$ 19,258	\$ 30,086	\$ 12,919	\$ 12,873

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LETTER FROM THE CHAIRMAN



Dear Fellow Shareholder,

The year 2000 was a challenging year for the nutritional industry and for the network marketing sector in particular. Relative to its peer group, however, USANA performed well, reporting profitable quarters throughout the year.

While the year's challenges presented difficult obstacles, we remain optimistic about the future and have continued to build infrastructure in anticipation of future growth. Early in the year we took a single, bold step that will significantly shape the future of USANA; we implemented the Value Initiative, a pricing structure that makes our products considerably more affordable for consumers. This was an important component in the creation of what we refer to as the "Consumer-Approved Network Marketing" model. We believe that we are the first network marketing company to

offer such a business model. While most network marketing companies service almost exclusively distributors who are also paid to sell the products, USANA's customer base is now almost evenly divided between pure consumers (Preferred Customers) and Associates. We believe that our ability to attract consumers validates the quality of USANA's products and provides the true residual business income our Associates seek.

Other milestones in 2000 include:

- Introducing Sensè Beautiful Science™, a complete new line of skin and personal care products.
- Reorganizing our sales effort with a focus on empowering our Associates to succeed.
- Initiating product sales in Japan on a not-for-resale basis.
- Repurchasing approximately 531,000 shares of stock on the open market.



- Significantly expanding our facilities to provide additional production and packaging capabilities and increasing warehouse capacity for anticipated international sales growth.

Commitment to Network Marketing

USANA remains a solid financial performer, with good cash flow, profitability and a healthy debt-to-equity ratio. Despite a slow down in growth in the nutritional industry, the Company was still able to maintain profitable operations.

We believe this is a direct result of being a network marketing company with some of the

finest independent Associates in the industry. We are committed to

this channel of distribution; we believe that the creation of our

Consumer-Approved Network Marketing

model is a powerful tool for increasing earnings for our Associates and the Company.

Key Objectives

During 2000 we were profitable in all four quarters. If we are to improve profitability, however, it is imperative that we increase sales to achieve greater leverage from our expanded infrastructure. The following are our primary points of focus for 2001:

- "Year of the Business": USANA's focus has traditionally been product development. While our commitment to developing quality products remains unaltered, we will focus our efforts this year on improving the business opportunity for our Associates.
- A simplified sales message: A key element of success for our Associates is to have a clear and simple message to deliver to their prospects.

- A successful launch in Japan: Late in 2001 we expect to open our facilities for a full-scale hard launch of the Japanese market, the world's largest direct selling market. Success there will require unprecedented teamwork with our leading Associates.

We believe that by focusing on these key points we can increase both sales and profitability. My vision for USANA is to improve the health of mankind. I believe that profits and improving shareholder value can be the natural by-products of successful execution of that vision.

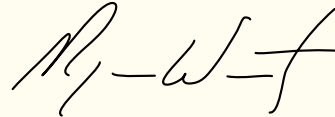
WE BELIEVE
THAT OUR
ABILITY TO
ATTRACT
CONSUMERS
VALIDATES THE
QUALITY OF
USANA'S
PRODUCTS.

Our stated mission is:

To develop and provide the highest quality, science-based health products, distributed internationally through network marketing, creating a rewarding financial opportunity for our independent Associates, shareholders and employees.

On behalf of USANA's directors and employees, I express our appreciation for your continued support in realizing this vision.

Sincerely,



Myron W. Wentz, Ph.D.
Founder and Chairman

CONSUMER-APPROVED NETWORK MARKETING

USANA Health Sciences has created what we believe to be the first *Consumer-Approved Network Marketing* company in the history of network marketing. Consumer approval of this model is evidenced by the tens of thousands of Preferred Customers who purchase products directly from USANA—plus the thousands more who purchase products through our Associates. All of these are consumers who have no incentive to purchase our products apart from the value they offer. The success of this program will continue to create revenue for our Associates.

The Value Initiative launched in 2000 is another key part of the *Consumer-Approved Network Marketing* model. In order for our Associates to sell the products either to preferred or retail customers, the products must present a compelling value to the consumer—without regard for the business opportunity. The value pricing implemented last year made this a reality.

The success of this business model means that more people are hearing our message and experiencing the health benefits of our products. Our founder, Dr. Wentz, has stated that he will “not be satisfied until we have found a way to reach more families in more countries and to convince them of the absolute need for good nutritional supplementation.”

Opportunity

The growth of our Preferred Customer program during the past year illustrates the added value of this program for our Associates. The business opportunity for our Associates is enhanced by the Value Initiative because the lower prices make it easier to sell the products. Traditionally, when an Associate approaches ten network marketing

prospects, she can expect one or two to enroll as Associates in her downline. The Value Initiative makes it easier for the Associate to enroll the other prospects as Preferred Customers, adding to her weekly commission check and building the USANA customer base. No one need be turned away because they lack the desire to become an Associate.

Commitment to Network Marketing

We believe that our Associates will find, over time, that the *Consumer-*

Approved Network Marketing approach will provide greater opportunity and greater income. Preferred Customers generate commissionable volume that is credited to Associates, but Preferred Customers do not participate in the compensation plan. The growth in numbers of Preferred Customers should result in higher compensation for active Associates. Our loyal Associates have been an important focus of our efforts in the past and they continue to be so. The heart of our business is our Associates who dedicate themselves to USANA and earn a full-time income.

WE BELIEVE
THAT OUR
ASSOCIATES WILL
FIND THAT THE
*Consumer-Approved
Network Marketing*
APPROACH WILL
PROVIDE
GREATER
OPPORTUNITY.



BUILDING ON STRENGTHS

USANA remains financially solid, notwithstanding the challenges facing the nutritional industry. We will continue to build on our strengths to create opportunity for our Associates and value for our shareholders.

Scientific Product Development

USANA's core strength has been—and will continue to be—the development of scientifically proven, high quality products. No other network marketing nutritional company has year-after-year committed the resources USANA has to product research. USANA's customers can be assured that our products are developed with the latest scientific knowledge and solid evidence of safety and efficacy. Furthermore, USANA's tableted products are manufactured in-house to pharmaceutical-grade standards called Good Manufacturing Practices or GMPs.

Partnership with Associates

Nothing is more important in network marketing than an enthusiastic group of Associates. Over the past decade, USANA has developed a network of tens of thousands of active Associates who buy and use our products. These Associates have recruited Preferred Customers and other Associates. The core leadership group includes hundreds of people who earn full-time income as a result of their hard work and dedication. We view the Associates as our partners in our effort to improve the health of people in our markets and, of course, in our effort

to generate sales and profits. Together with our Leaders in the field, USANA will build on the broad base of Associates to increase sales and profitability.

We believe Associates should feel that they can leverage the corporate network development efforts to accelerate growth within their organizations. We will work with the Leaders to increase the sense of

partnership and to empower them to accomplish their goals within the USANA business opportunity. We continue to believe that network marketing is an effective means of distributing unique nutritional products, because health products are deeply personal and require a personal sales method. USANA will consider every option and take every appropriate step to enhance our Associates' compensation to maintain a superior network marketing opportunity.

**WE WILL
CONTINUE TO
BUILD ON OUR
STRENGTHS TO
CREATE
OPPORTUNITY
FOR OUR
ASSOCIATES AND
VALUE FOR OUR
SHAREHOLDERS.**

Technology

USANA has traditionally demonstrated entrepreneurial spirit and innovation in its use of technology, always trying to push to the leading edge. We were among the very first to deploy an effective computerized downline management system to help Associates optimize their organizations. USANA is now developing a new Java-based system that will integrate a Web-enabled order-entry system with its inventory, production planning, fulfillment and financial systems. This new system, called Odyssey, will return USANA to the technological forefront of network marketing companies.



USANA INTRODUCES

SENSÉ BEAUTIFUL SCIENCE™

The year 2000 brought one of our most exciting launches ever—the Sensé Beautiful Science™ line of personal care products. Designed for both men and women with all skin types, Sensé combines breakthrough science and pure plant extracts to create balanced skin and hair care. The Sensé approach is simple and timeless, yet revolutionary—supplying the body with inner nutrients to support healthy skin from within while providing the body with outer nutrients that protect, beautify and revitalize.

The Sensé line includes a full skin and body care regimen—topical products that cleanse, hydrate, tone, moisturize and renew—to combat the harmful effects of daily exposure to the environment. Completing a holistic approach to intelligent skin care, Sensé also includes BeautiNutrients™, nutrition for the skin from the inside. These supplements deliver essential nutrients from within to further support healthy skin structure and function.

USANA recently subjected the Sensé regimen to rigorous independent clinical studies conducted under the supervision of dermatologists. After only eight weeks, test subjects' skin elasticity increased by 46%, moisture levels by 51%; skin texture improved by 57% and skin dryness was alleviated by a dramatic 89%.

Social Science

We believe that personal care can be viewed as a social science that lends itself to a party marketing

approach. Sitting around a table, sampling products, comparing techniques and learning the science behind good skin care is a comfortable way to sell and buy personal care products. A woman can be much more at ease with friends in an informal home environment than she would ever be in a department store taking advice from a stranger.

**THE SENSÉ
APPROACH IS
SIMPLE AND
TIMELESS, YET
REVOLUTIONARY.**

In addition, men need the protection of scientifically developed skin and hair care products as much as women do. Many men are still uncomfortable walking into a department store to purchase skin care products—many of which continue to be sold only in the women's department. In a friendly home environment, however, men can learn how to take better care of their skin to help prevent the appearance of premature aging.

USANA has developed a party pack for retailing the Sensé products in a party environment. This allows an Associate to purchase these products at a discount and resell them at retail prices, potentially generating enough profit in a single night to recover the cost of her own enrollment. Those who attend the party can choose to remain retail customers or enroll as Associates or Preferred Customers to take advantage of lower pricing on future purchases. The Associate will then earn commissions on the future purchases of their new Associates and Preferred Customers.



USANA® NUTRITIONALS AND L·E·A·N LIFE LONG™

USANA® Nutritionals

USANA® Nutritionals, led by the flagship Essentials, represent the best value in the market on the basis of cost per ingredient. We believe this applies even to the least expensive products, which offer so little nutrition when compared to the Essentials. USANA's product development approach is not one of following government suggestions such as the "Daily Value"; instead, we target ingredient levels to where scientific studies show benefits in reducing the risk of chronic degenerative diseases.

With a combination of over 30 nutrients, the Essentials provide an ideal nutritional foundation. For most people, however, additional supplementation with complementary individual nutrients is appropriate. For instance, women with the earliest signs of perimenopause may benefit from PhytoEstrin™, which can promote more natural estrogen levels throughout the rest of their lives.

Additionally, many other USANA nutritional products, including Active Calcium™ (calcium), CoQuinone® (CoEnzyme Q10) and BiOmega-3™ (fish oil gelcaps containing omega-3 fatty acids) provide important benefits to many people in various life-stages and circumstances. All of USANA's products are developed and manufactured using pharmaceutical-quality standards.

L·E·A·N LifeLong™

In today's world, it is almost impossible to get the right amounts of all the nutrients your body requires. USANA's scientists developed L·E·A·N LifeLong Foods™ to take the guesswork out of balanced nutrition. L·E·A·N LifeLong Foods™ provide a great tasting, convenient way to nourish your body with the correct amounts and types of

macronutrients (carbohydrates, protein, and fats).

The L·E·A·N Team Program is a complete nutritional plan that includes L·E·A·N LifeLong Foods™, the L·E·A·N Team Weight Management Program Guide, and motivational audiotapes and exercise videos. All of these tools have been developed to help you successfully reach your unique body transformation goals. The L·E·A·N program will help make a personal commitment

achievable by providing a specialized program that is easy-to-understand, simple-to-follow and unique to each individual's goals.

The USANA Lifestyle

USANA® Nutritionals and L·E·A·N LifeLong™ products provide customers with a sense of confidence in their health and wellness that allows them greater enjoyment of life. These regimens and programs don't lock people into uncomfortable patterns; rather they free them to knowledgeably maintain a healthy, active lifestyle.

USANA'S
PRODUCTS ARE
DEVELOPED AND
MANUFACTURED
USING
*Pharmaceutical-
Quality*
STANDARDS.



CFO's NOTE



FROM GILBERT A. FULLER,
CHIEF FINANCIAL OFFICER:

USANA is pleased with its profitable financial performance in 2000 and looking forward to improving results. While many of our competitors faced debilitating losses in 2000, USANA reported a profit every quarter—with improvements in each of the last two quarters.

For the year ended December 30, 2000, USANA reported net sales of \$123.2 million, down 8.3% from the previous year. While unit volumes increased remarkably in 2000, the shift to value pricing resulted in this modest revenue decline. Net earnings also declined from \$5.9 million in 1999 to \$2.9 million in 2000. Diluted earnings per share declined 38.3%, from \$0.47 in 1999 to \$0.29 in 2000.

We are not forgetting that USANA operated below our historical level of profitability in 2000. We are seeking to improve profits in 2001 through a combination of increasing sales and controlling costs. Improvements will likely be achieved in the area of cost of goods sold, resulting from our efforts to streamline our product lines. We also believe that gains can also be made in selling, general and administrative expenses.

There can be no doubt that our Associates and shareholders demand steady growth in the top-line. A positive note is that declines in the nutrition industry are likely to be stemmed this year as fundamental growth in the demographics that drive nutritional consumption continues: the population is aging and as we age we tend to use more nutritional supplements. Therefore, we are optimistic about USANA's prospects and continue to invest for the long-term.



CONSOLIDATED STATEMENTS OF EARNINGS

IN THOUSANDS, EXCEPT PER SHARE DATA			
Fiscal year ended	1998	1999	2000
Net sales	\$ 126,291	\$ 134,312	\$ 123,180
Cost of sales	30,133	30,099	36,344
GROSS PROFIT	96,158	104,213	86,836
Operating expenses			
Associate incentives	54,408	57,044	47,032
Selling, general and administrative	25,163	31,778	32,939
Restructuring and impairment	-	4,400	-
Research and development	1,362	1,377	1,410
EARNINGS FROM OPERATIONS	15,225	9,614	5,455
Other income (expense), net	178	(48)	(677)
EARNINGS BEFORE INCOME TAXES	15,403	9,566	4,778
Income taxes	5,906	3,665	1,911
NET EARNINGS	\$ 9,497	\$ 5,901	\$ 2,867
Earnings per share— <i>diluted</i>	\$ 0.68	\$ 0.47	\$ 0.29
Weighted average shares outstanding— <i>diluted</i>	13,929	12,473	9,890

Note: The contents of this report should be considered in conjunction with the warnings and cautionary statements contained in USANA's 2000 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, which includes a complete set of consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Assets

IN THOUSANDS

As of

1-Jan-00

30-Dec-00

Cash and cash equivalents

\$ 1,411

\$ 2,900

Inventories

9,855

10,880

Other current assets

3,782

3,147

TOTAL CURRENT ASSETS

15,048

16,927

Property and equipment, net

21,528

17,614

Other assets

197

951

TOTAL ASSETS

\$ 36,773

\$ 35,492

Liabilities and Stockholders' Equity

IN THOUSANDS

As of

1-Jan-00

30-Dec-00

Current maturities of long-term debt

\$ 2,000

\$ -

Accounts payable

4,060

3,352

Other current liabilities

5,201

4,098

Line of credit

2,816

7,169

Restructuring provision

2,252

-

TOTAL CURRENT LIABILITIES

16,329

14,619

Deferred income taxes

25

-

Long-term debt, less current maturities

7,500

8,000

Stockholders' equity

12,919

12,873

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY

\$ 36,773

\$ 35,492

Note: The contents of this report should be considered in conjunction with the warnings and cautionary statements contained in USANA's 2000 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, which includes a complete set of consolidated financial statements.

SUPPLEMENTAL FINANCIAL DATA

Sales by Region

IN THOUSANDS

Fiscal year ended	1998	1999	2000
United States*	\$ 73,017	\$ 73,231	\$ 68,526
Canada	34,047	30,910	29,204
Australia-New Zealand	19,227	27,230	18,979
Hong Kong	-	2,941	6,471
	<u>\$ 126,291</u>	<u>\$ 134,312</u>	<u>\$ 123,180</u>

Associates by Region

As of	2-Jan-99	1-Jan-00	30-Dec-00
United States*	60,000	54,000	45,000
Canada	32,000	26,000	21,000
Australia-New Zealand	24,000	27,000	19,000
Hong Kong	-	6,000	8,000
	<u>116,000</u>	<u>113,000</u>	<u>93,000</u>

Preferred Customers by Region

As of	2-Jan-99	1-Jan-00	30-Dec-00
United States*	16,000	26,000	44,000
Canada	8,000	11,000	19,000
Australia-New Zealand	2,000	8,000	11,000
Hong Kong	-	1,000	2,000
	<u>26,000</u>	<u>46,000</u>	<u>76,000</u>

* The United Kingdom and the direct export program to Japan have been consolidated into the United States' figures.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
USANA Health Sciences, Inc. and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of USANA Health Sciences, Inc. and Subsidiaries as of January 1, 2000 and December 30, 2000 and for each of the three years in the period ended December 30, 2000 (which statements are not presented herein); and in our report dated February 2, 2001, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheets at January 1, 2000 and December 30, 2000 and the related condensed consolidated statements of earnings for each of the three years in the period ended December 30, 2000, when read in conjunction with the consolidated financial statements from which it has been derived, is fairly stated in all material respects in relation thereto.

Grant Thornton LLP

Salt Lake City, Utah

February 2, 2001, except for Note E of the consolidated financial statements for which the date is March 26, 2001.

BOARD OF DIRECTORS

Myron W. Wentz, Ph.D.

Chairman

Ronald S. Poelman

Law Partner

Jones, Waldo, Holbrook & McDonough

Robert Anciaux

Managing Director

S.E.I. s.a.

Denis E. Waitley, Ph.D.

President

The Waitley Institute

David A. Wentz

Sr. Vice President of Strategic Planning

EXECUTIVE OFFICERS

Myron W. Wentz, Ph.D.

President and Chief Executive Officer

Gilbert A. Fuller

Sr. Vice President and Chief Financial Officer

John B. McCandless IV

Sr. Vice President and Chief Operating Officer

David A. Wentz

Sr. Vice President of Strategic Planning

INDEPENDENT AUDITORS

Grant Thornton LLP

Salt Lake City, Utah

LEGAL COUNSEL

Durham Jones & Pinegar

Salt Lake City, Utah

MARKET INFO & PRICES

The Company's common stock is traded on The Nasdaq Stock Market® under the symbol USNA. £ Set forth below are the high and low sale prices of the common stock as reported on The Nasdaq Stock Market for the period indicated.

	1999		2000	
	High	Low	High	Low
1st Quarter	\$18.00	\$5.88	\$8.00	\$4.38
2nd Quarter	\$11.25	\$6.75	\$5.50	\$2.38
3rd Quarter	\$9.00	\$6.25	\$4.31	\$2.56
4th Quarter	\$8.75	\$3.81	\$3.03	\$0.88

SHAREHOLDERS

The approximate number of record and beneficial holders of the Company's common stock was 511 and 5,500 respectively, as of £ March 21, 2001.

DIVIDENDS

The Company has not paid cash dividends on its common stock since inception. The Company currently intends to retain future earnings to fund the development and growth of its business and does not anticipate paying dividends in the foreseeable future.

FORM 10-K

Copies of USANA's most recent annual report on Form 10-K, filed with the Securities and Exchange Commission, may be obtained without charge by writing to Investor Relations at USANA's corporate address.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements and projections of future results made in this report constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. Actual results could differ materially from those projected in the forward-looking statements, which involve a number of risks and uncertainties, including reliance upon the Company's independent distributor network, government regulation of products, manufacturing and marketing, and risks associated with international expansion, and should be considered in conjunction with the cautionary statements contained in USANA's most recent filings with the Securities and Exchange Commission on Forms 10-Q and 10-K.

TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company

59 Maiden Lane

Plaza Level

New York, NY 10038

(800) 937-5449 or (718) 921-8200

www.amstock.com

ANNUAL MEETING

Please refer to the Proxy Statement for information regarding the Annual Meeting.

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