GNC CORP
Form S-1/A
August 07, 2006

Table of Contents

As filed with the Securities and Exchange Commission on August 7, 2006.

Registration Statement No. 333-134710

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

Amendment No. 4
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

GNC Corporation
(Exact name of registrant as specified in its charter)

Delaware	**5499**	**72-1575170**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

300 Sixth Avenue
Pittsburgh, Pennsylvania 15222
(412) 288-4600
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Mark L. Weintrub, Esq.
Senior Vice President, Chief Legal Officer, and Secretary
GNC Corporation
300 Sixth Avenue
Pittsburgh, Pennsylvania 15222
(412) 288-4600
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of All Communications to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the SEC, acting pursuant to Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion
Preliminary Prospectus dated August 7, 2006

PROSPECTUS

23,530,000 Shares
GNC Corporation
Common Stock

This is GNC Corporation s initial public offering of its common stock. We are selling 9,391,176 shares and 14,138,824 shares are being sold by our stockholders. We will not receive any proceeds from the sale of our common stock by the selling stockholders.

No public market currently exists for our common stock. We have applied to list our common stock on the New York Stock Exchange under the symbol GNC. We anticipate that the initial public offering price of our common stock will be between $16.00 and $18.00 per share.

Investing in our common stock involves risk. See Risk Factors beginning on page 12 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to GNC Corporation	$	$
Proceeds, before expenses, to the selling stockholders	$	$

The selling stockholders have granted the underwriters a 30-day option to purchase up to 3,529,500 additional shares of common stock at the public offering price, less the underwriting discount, to cover overallotments, if any. We will not receive any proceeds from the exercise of the overallotment option.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2006.

Merrill Lynch & Co. **Lehman Brothers** **UBS Investment Bank**

Goldman, Sachs & Co. **JPMorgan** **Morgan Stanley**

The date of this prospectus is , 2006

Table of Contents

GNC WORLDWIDE RETAIL FOOTPRINT
Over 5,800 locations worldwide

4,812 U.S. Locations
Corporate: 2,529

Franchise: 1,123

Rite Aid: 1,160 Note: As of March 31, 2006.

137
Canadian Locations

873 International Franchise Locations 45 Countries

Table of Contents

Why GNC?

Table of Contents

Leading source of health and wellness products for 70 years
innovative & quality products
Dedicated & knowledgeable sales associates
High-margin, value-added products

TABLE OF CONTENTS

Through and including , 2006 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

You should rely only on the information contained in this prospectus, any free writing prospectus prepared by or on behalf of us, or information to which we have referred you; we have not authorized anyone to provide you with information that is different. This prospectus is not an offer to sell or a solicitation of an offer to buy shares in any jurisdiction where an offer or sale of shares would be unlawful. The information in this prospectus is complete and accurate only as of the date on the front cover regardless of the time of delivery of this prospectus or of any sale of shares.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights the information contained in this prospectus. Because this is only a summary, it does not contain all of the information that may be important to you. For a more complete understanding of the information that you may consider important in making your investment decision, we encourage you to read this entire prospectus. Before making an investment decision, you should carefully consider the information under the heading Risk Factors and our consolidated financial statements and their notes in this prospectus.

GNC Corporation

With our worldwide network of over 5,800 locations and our www.gnc.com website, we are the largest global specialty retailer of health and wellness products, including vitamins, minerals, herbal and specialty supplements, sports nutrition products, and diet products. We believe that the strength of our GNC® brand, which is distinctively associated with health and wellness, combined with our stores and website, give us broad access to consumers and uniquely position us to benefit from the favorable trends driving growth in our industry. We derive our revenues principally from product sales through our company-owned stores, franchise activities, and sales of products manufactured in our facilities to third parties. Our broad and deep product mix, which is focused on high-margin, value-added nutritional products, is sold under our GNC proprietary brands, including Mega Men®, Ultra Mega®, Pro Performance®, and Preventive Nutrition®, and under nationally recognized third-party brands. For the 12 months ended March 31, 2006, we generated revenue of $1.4 billion, Adjusted EBITDA of $129.2 million, and net income of $27.1 million. For the first quarter of 2006, we generated revenue of $386.9 million, Adjusted EBITDA of $42.6 million, and net income of $11.4 million. EBITDA and Adjusted EBITDA are non-GAAP measures of performance and liquidity, as applicable; for the definition of EBITDA and an explanation of its usefulness to management, see note (1) to Summary Consolidated Financial Data.

Our business model has enabled us to establish significant credibility and brand equity with both our vendors and our customers. Our domestic retail network, which is the largest specialty retail store network in the U.S. nutritional supplements industry according to Nutrition Business Journal s Supplement Business Report 2005, is approximately nine times larger than that of our next largest U.S. specialty retail competitor, and provides a leading platform for our vendors to distribute their products to their target consumer. This gives us tremendous leverage with our vendor partners and has enabled us to negotiate product exclusives or first-to-market opportunities. In addition, our in-house product development capabilities enable us to offer our customers proprietary merchandise that can only be purchased through our stores or our website. As the nutritional supplement consumer often requires knowledgeable customer service, we also differentiate ourselves from mass and drug retailers with our well-trained sales associates. We believe that our expansive retail network, our differentiated merchandise offering, and our quality customer service result in a unique shopping experience.

Our Strategic Repositioning

In 2005, we undertook a series of strategic initiatives to enhance our business and establish a foundation for stronger future performance. Specifically, we:

- introduced a single national pricing structure in order to improve our customer value perception;
- developed and executed a national, more diversified marketing program focused on reinforcing GNC s brand name;
- overhauled our field organization and store programs to improve our customer shopping experience;
- focused our merchandising and marketing initiatives on driving increased traffic to our store locations;
- improved our supply chain and inventory management, resulting in better in-stock levels;

- reinvigorated our proprietary new product development activities;
- revitalized our vendor relationships, including their new product development activities and our exclusive or first-to-market access to new products;
- realigned our franchise system with our corporate strategies and re-acquired or closed unprofitable or non-compliant franchised stores;
- reduced our overhead cost structure; and
- launched www.gnc.com.

These initiatives have allowed us to capitalize on our national footprint, brand awareness, and competitive positioning to meaningfully improve our overall operating performance. Since the first quarter of 2005, domestic company-owned same store sales have improved with each successive quarter, culminating in a 14.5% increase in the first quarter of 2006. Given the significant operating leverage in our business, Adjusted EBITDA grew by 51.1% in the first quarter of 2006 compared to the first quarter of 2005. We believe these initiatives will continue to allow us to profitably grow our business in the future.

Business Overview

The following charts illustrate, for the year ended December 31, 2005, the percentage of our net revenue generated by our three business segments and the percentage of our net U.S. retail revenue generated by our product categories:

2005 Net Revenue by Segment | **2005 Net Retail Revenue by Product Category**

(1) Vitamins, minerals, and herbal and specialty supplements.

We have a diverse portfolio of product offerings, and we do not have any meaningful concentration of sales from any single product or product line. We believe this baseline of sales from which we now operate is a solid, recurring base from which we will continue to grow our revenues. Our sales trends in the first half of 2005 were impacted by a decline in diet products related to the slowdown of the low-carbohydrate diet trend. Excluding the diet category, we have generated positive same store sales for seven of the last nine quarters since the beginning of 2004.

As of March 31, 2006, our retail network included 5,817 GNC locations globally, including: (1) 2,529 company-owned stores in the United States (all 50 states, the District of Columbia, and Puerto Rico); (2) 132 company-owned stores in Canada; (3) 1,123 domestic franchised stores; (4) 873 international franchised stores in 45 international markets; and (5) 1,160 GNC store-within-a-store locations under our strategic alliance with Rite Aid Corporation. In December 2005, we also started selling products through our website, www.gnc.com. This additional sales channel has enabled us to market and sell our products in regions where we do not have retail operations or have limited operations.

In addition to our large existing store base, we have a stable workforce and a vertically integrated structure. As a result, we can support higher sales volume without adding significant incremental costs, which enables us to convert a high percentage of our net revenue into cash flow from operations. In addition, our stores require only modest capital expenditures, allowing us to generate substantial free cash flow before debt amortization.

Table of Contents

Our franchise activities generate income primarily through product sales to franchisees, royalties on franchise retail sales, and franchise fees. We believe that our franchise program enhances our brand awareness and market presence and will enable us to continue to expand our store base internationally with limited capital expenditures on our part.

We offer a wide range of nutritional supplements sold under our GNC proprietary brand names and under nationally recognized third-party brand names. Sales of our proprietary brands generally have higher gross margins than sales of third-party brands and represented approximately 47% of our net retail product revenues at company-owned stores for 2005. This high percentage of proprietary branded sales is a testament to the value and quality perception of the GNC brand name by its consumers. We are a vertically integrated producer and supplier of nutritional supplements with technologically sophisticated manufacturing and distribution facilities supporting our retail stores. We believe our vertical integration allows us to better control costs, protect product quality, monitor delivery times, and maintain appropriate inventory levels.

Risks Related to Our Business and Strategy

Despite our competitive strengths, there are a number of risks and uncertainties that may affect our financial and operating performance and our ability to execute our business strategy, including unfavorable publicity or consumer perception of our products and any similar products distributed by other companies and our failure to appropriately respond to changing consumer preferences and demand for new products and services. In addition to these risks and uncertainties, you should also consider the risks discussed under Risk Factors.

Recent Developments

We have filed our Form 10-Q for the quarter ended June 30, 2006 and have reported the following results for the second quarter of 2006:

- net revenues of $382.8 million compared to $333.3 million for the same period in 2005;
- net cash provided by operating activities of $21.4 million compared to $(16.9) million for the same period in 2005;
- EBITDA of $40.4 million compared to $31.1 million for the same period in 2005;
- Adjusted EBITDA of $40.8 million compared to $31.5 million for the same period in 2005;
- net income of $13.1 million compared to $7.1 million for the same period in 2005;
- domestic company-owned same store sales of 11.5% compared to (5.2%) for the same period in 2005; and
- domestic franchised same store sales of 5.9% compared to (6.5%) for the same period in 2005.

We have also reported the following results for the six months ended June 30, 2006:

- net revenues of $769.7 million compared to $669.8 million for the same period in 2005;
- net cash provided by operating activities of $33.9 million compared to $18.6 million for the same period in 2005;
- EBITDA of $77.9 million compared to $59.0 million for the same period in 2005;

Table of Contents

Adjusted EBITDA of $83.5 million compared to $59.8 million for the same period in 2005; and

net income of $24.5 million compared to $9.8 million for the same period in 2005.

As of June 30, 2006, we operated 2,523 company-owned stores in the United States, 132 company-owned stores in Canada, 1,098 domestic franchised stores, 899 international franchised stores in 43 international markets, and 1,183 store-within-a-store locations.

Additionally, on July 7, 2006, we issued a redemption notice to the holders of our Series A preferred stock notifying them that, subject to the closing of this offering, we will redeem all of the outstanding shares of Series A preferred stock on the fifth business day following the closing of this offering at the redemption price of $1,085.71 per share, plus a cash amount equal to all accumulated dividends as of the redemption date.

For the definition of EBITDA and Adjusted EBITDA and an explanation of their usefulness to management, see note (1) to Summary Consolidated Financial Data.

The following table reconciles EBITDA and Adjusted EBITDA to net income for the three months and the six months ended June 30, 2006, and EBITDA and Adjusted EBITDA to net income for the three months and the six months ended June 30, 2005:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2006	2005	2006
	(Dollars in millions)			
Net income	**$ 7.1**	**$ 13.1**	**$ 9.8**	**$ 24.5**
Interest expense, net	9.8	10.1	23.3	19.8
Income tax expense	4.1	7.7	5.6	14.5
Depreciation and amortization	10.1	9.5	20.3	19.1
EBITDA	**$ 31.1**	**$ 40.4**	**$ 59.0**	**$ 77.9**
Management fee payment	0.4	0.4	0.8	0.8
Discretionary payment to stock option holders				4.8
Adjusted EBITDA	**$ 31.5**	**$ 40.8**	**$ 59.8**	**$ 83.5**

Table of Contents

The following table reconciles EBITDA and Adjusted EBITDA to net cash provided by operating activities for the three months and the six months ended June 30, 2006, and EBITDA and Adjusted EBITDA to net cash provided by operating activities for the three months and the six months ended June 30, 2005:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2006	2005	2006
	(Dollars in millions)			
Net cash provided by operating activities	**$ (16.9)**	**$ 21.4**	**$ 18.6**	**$ 33.9**
Cash paid for interest	11.0	11.5	13.2	20.1
Cash paid for taxes	2.4	10.7	2.7	10.9
Changes in assets and liabilities	34.6	(3.2)	24.5	13.0
EBITDA	**$ 31.1**	**$ 40.4**	**$ 59.0**	**$ 77.9**
Management fee payment	0.4	0.4	0.8	0.8
Discretionary payment to stock option holders				4.8
Adjusted EBITDA	**$ 31.5**	**$ 40.8**	**$ 59.8**	**$ 83.5**

Corporate Information

Our principal executive office is located at 300 Sixth Avenue, Pittsburgh, Pennsylvania 15222, and our telephone number is (412) 288-4600. We also maintain a website at www.gnc.com.

The Offering

Total common stock offered	23,530,000 shares
Common stock offered by GNC Corporation	9,391,176 shares
Common stock offered by the selling stockholders	14,138,824 shares
Underwriters option to purchase additional shares from the selling stockholders in this offering	3,529,500 shares
Common stock outstanding after this offering	59,955,124 shares
Voting rights	One vote per share
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately $147.8 million, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use our net proceeds to redeem all of our outstanding preferred stock, including the liquidation preference, additional redemption price, accumulated and unpaid dividends, and related expenses. A $1.00 change in the per share offering price would change net proceeds to us by approximately $8.8 million. Any remaining net proceeds will be used for working capital and general corporate purposes. We will not receive any proceeds from the sale of any shares by the selling stockholders. See Use of Proceeds.
Proposed New York Stock Exchange symbol	GNC
Risk factors	For a discussion of risks relating to our business and an investment in our common stock, see Risk Factors beginning on page 12.

Except as otherwise indicated, the number of shares of our common stock that will be outstanding after this offering is based on the 50,563,948 shares outstanding as of July 15, 2006, and:

- includes the shares of common stock to be issued by us upon the closing of this offering;
- assumes an initial public offering price of $17.00 per share, the midpoint of the range on the cover of this prospectus;
- excludes 4,795,766 shares of common stock subject to outstanding stock options with a weighted average exercise price of $3.67 per share; and
- excludes 3,800,000 shares of common stock available for future grant or issuance under our stock plans.

Unless we specifically state otherwise, the information in this prospectus:

- gives effect to a 1.707-for-one split of shares of our common stock effected on July 27, 2006; and does not take into account the sale of up to 3,529,500 shares of our common stock that the underwriters have the option to purchase from the selling stockholders.

Table of Contents

Summary Consolidated Financial Data

The summary consolidated financial data presented below for the period from January 1, 2003 to December 4, 2003, for the 27 days ended December 31, 2003 and for the years ended December 31, 2004 and 2005 are derived from our audited consolidated financial statements and accompanying footnotes included in this prospectus. The summary consolidated financial data for the period from January 1, 2003 to December 4, 2003 represent a period during which our predecessor, General Nutrition Companies, Inc. was owned by Numico USA, Inc. The summary consolidated financial data for the 27 days ended December 31, 2003, for the years ended December 31, 2004 and 2005, and for the three months ended March 31, 2005 and 2006 represent the period of operations subsequent to the December 5, 2003 acquisition from Numico, which we refer to as the Numico acquisition in this prospectus.

The summary consolidated financial data presented below for the three months ended March 31, 2005 and 2006, and as of March 31, 2006, are derived from our unaudited consolidated financial statements and accompanying notes included in this prospectus and include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, for a fair statement of our financial position and operating results as of and for the three months ended March 31, 2005 and 2006. Our results for interim periods are not necessarily indicative of our results for a full year s operations.

	Predecessor	Successor			Successor	
	Period from January 1, 2003 to December 4, 2003	27 Days Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006
					(Unaudited)	
			(Dollars in millions)			
Statement of Income Data:						
Total revenues	$ 1,340.2	$ 89.3	$ 1,344.7	$ 1,317.7	$ 336.4	$ 386.9
Gross profit	$ 405.3	$ 25.7	$ 449.5	$ 419.0	$ 106.0	$ 130.0
Operating (loss) income	$ (638.3)	$ 3.4	$ 100.7	$ 72.2	$ 17.8	$ 27.9
Interest expense, net	$ 121.1	$ 2.8	$ 34.5	$ 43.1	$ 13.5	$ 9.7
Net (loss) income	$ (584.9)	$ 0.4	$ 41.7	$ 18.4	$ 2.7	$ 11.4
Other Data:						
Net cash provided by operating activities	$ 92.9	$ 4.7	$ 83.5	$ 64.2	$ 35.5	$ 12.5
Net cash used in investing activities	$ (31.5)	$ (740.0)	$ (27.0)	$ (21.5)	$ (4.9)	$ (3.8)
Net cash (used in) provided by financing activities	$ (90.8)	$ 759.2	$ (4.5)	$ (41.7)	$ (37.9)	$ (50.4)
EBITDA(1)	$ (579.2)	$ 5.7	$ 139.5	$ 113.2	$ 27.9	$ 37.5
Adjusted EBITDA(1)	$ (579.2)	$ 5.7	$ 141.0	$ 114.7	$ 28.2	$ 42.6
Capital expenditures(2)	$ 31.0	$ 1.8	$ 28.3	$ 20.8	$ 4.4	$ 3.7
Number of stores (at end of period):						
Company-owned stores(3)	2,757	2,748	2,642	2,650	2,644	2,661
Franchised stores(3)	1,978	2,009	2,036	2,014	2,034	1,996
	988	988	1,027	1,149	1,043	1,160

Store-within-a-store locations(3)					
Same store sales growth:(4)					
Domestic company-owned	(0.4)%	(4.1)%	(1.5)%	(7.8)%	14.5%
Domestic franchised	(0.6)%	(5.5)%	(5.4)%	(9.0)%	6.8%

	As of March 31, 2006	
	Actual	As Adjusted(5)
	(Unaudited) (Dollars in millions)	
Balance Sheet Data:		
Cash and cash equivalents	$ 44.3	$ 25.2
Working capital(6)	265.0	249.9
Total assets	1,022.2	1,003.1
Total current and non-current long-term debt	472.8	472.8
Cumulative redeemable exchangeable preferred stock	131.0	
Total stockholders equity	169.7	285.6

Table of Contents

(1) We define EBITDA as net income (loss) before interest expense (net), income tax (benefit) expense, depreciation, and amortization. Management uses EBITDA as a tool to measure operating performance of the business. We use EBITDA as one criterion for evaluating our performance relative to our competitors and also as a measurement for the calculation of management incentive compensation. Although we primarily view EBITDA as an operating performance measure, we also consider it to be a useful analytical tool for measuring our liquidity, our leverage capacity, and our ability to service our debt and generate cash for other purposes. We also use EBITDA to determine our compliance with certain covenants in the senior credit facility, and the indentures governing the senior notes and senior subordinated notes, of our wholly owned subsidiary and operating company, General Nutrition Centers, Inc., or Centers. The reconciliation of EBITDA as presented below is different than that used for purposes of the covenants under the indentures governing the senior notes and senior subordinated notes. Historically, we have highlighted our use of EBITDA as a liquidity measure and for related purposes because of our focus on the holders of Centers debt. At the same time, however, management has also internally used EBITDA as a performance measure. EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income, operating income, or any other performance measures derived in accordance with GAAP, or as an alternative to GAAP cash flow from operating activities, as a measure of our profitability or liquidity. Some of the limitations of EBITDA are as follows:
EBITDA does not reflect interest expense or the cash requirement necessary to service interest or principal payments on our debt;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and

although EBITDA is frequently used by securities analysts, lenders, and others in their evaluation of companies, our calculation of EBITDA may differ from other similarly titled measures of other companies, limiting its usefulness as a comparative measure.

We compensate for these limitations by relying primarily on our GAAP results and using EBITDA only supplementally. See our consolidated financial statements included in this prospectus.

Adjusted EBITDA is presented as additional information, as management also uses Adjusted EBITDA to evaluate the operating performance of the business and as a measurement for the calculation of management incentive compensation. Management believes that Adjusted EBITDA is commonly used by security analysts, lenders, and others. Adjusted EBITDA may not be comparable to other similarly titled measures reported by other companies, limiting its usefulness as a comparative measure.

The following table reconciles EBITDA and Adjusted EBITDA to net (loss) income as determined in accordance with GAAP for the periods indicated:

	Predecessor	**Successor**			**Successor**	
	Period from January 1, 2003 to December 4, 2003	**27 Days Ended December 31, 2003**	**Year Ended December 31, 2004**	**Year Ended December 31, 2005**	**Three Months Ended March 31, 2005**	**Three Months Ended March 31, 2006**

						(Unaudited)
				(Dollars in millions)		
Net (loss) income	$ (584.9)	$ 0.4	$ 41.7	$ 18.4	$ 2.7	$ 11.4
Interest expense, net	121.1	2.8	34.5	43.1	13.5	9.7
Income tax (benefit) expense	(174.5)	0.2	24.5	10.7	1.6	6.8
Depreciation and amortization	59.1	2.3	38.8	41.0	10.1	9.6
EBITDA	$ (579.2)	$ 5.7	$ 139.5	$ 113.2	$ 27.9	$ 37.5
Management fee payment(a)			1.5	1.5	0.4	0.4
Discretionary payment to stock option holders(b)						4.8
Adjusted EBITDA	$ (579.2)	$ 5.7	$ 141.0	$ 114.7	$ 28.2	$ 42.6

8

Table of Contents

The following table reconciles EBITDA and Adjusted EBITDA to cash from operating activities as determined in accordance with GAAP for the periods indicated:

	Predecessor	Successor			Successor	
	Period from January 1, 2003 to December 4, 2003	27 Days Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006
					(Unaudited)	
			(Dollars in millions)			
Net cash provided by operating activities	$ 92.9	$ 4.7	$ 83.5	$ 64.2	$ 35.5	$ 12.5
Cash paid for interest (excluding deferred financing fees)	122.5	0.7	32.7	32.7	2.2	8.6
Cash paid for taxes	2.5		5.1	2.9	0.3	0.2
(Decrease) increase in accounts receivable	(59.9)	(2.9)	(5.3)	4.4	0.3	7.4
(Decrease) increase in inventory	(29.0)	(3.8)	15.1	23.9	20.9	41.3
Decrease (increase) in accounts payable	3.3	5.3	(3.9)	2.9	(26.2)	(25.8)
Increase (decrease) in other assets	4.1	9.7	(16.6)	(12.1)	(6.7)	(2.4)
(Increase) decrease in other liabilities	(6.2)	(8.0)	28.9	(5.7)	1.6	(4.3)
Impairment of goodwill and intangible assets	(709.4)					
EBITDA	$ (579.2)	$ 5.7	$ 139.5	$ 113.2	$ 27.9	$ 37.5
Management fee payment(a)			1.5	1.5	0.4	0.4
Discretionary payment to stock option holders(b)						4.8
Adjusted EBITDA	$ (579.2)	$ 5.7	$ 141.0	$ 114.7	$ 28.2	$ 42.6

(a) The management fee represents an annual payment of $1.5 million to an affiliate of our principal stockholder and will not be payable subsequent to this offering.

(b) The discretionary payment to stock option holders was made in conjunction with the $49.9 million restricted payments made to our common stockholders in March 2006. It was recommended to and approved by our board of directors. Our board of directors decided to make the discretionary payment because it recognized that the restricted payments decreased the value of equity interest of option holders, who were not entitled to receive the restricted payments based upon their options. See Dividend Policy. Our board also wanted to recognize the option holders for their contribution to GNC in 2005.

(2) For the full year ended December 31, 2003, capital expenditures were $32.8 million.

Table of Contents

(3) The following table summarizes our locations for the periods indicated:

	Predecessor	Successor			Successor	
	Period from January 1, 2003 to December 4, 2003	27 Days Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006
Company-owned Stores						
Beginning of period	2,898	2,757	2,748	2,642	2,642	2,650
Store openings(a)	80	4	82	137	32	40
Store closings	(221)	(13)	(188)	(129)	(30)	(29)
End of period	2,757	2,748	2,642	2,650	2,644	2,661
Franchised stores						
Domestic						
Beginning of period	1,352	1,352	1,355	1,290	1,290	1,156
Store openings	98	5	31	17	3	2
Store closings	(98)	(2)	(96)	(151)	(32)	(35)
End of period	1,352	1,355	1,290	1,156	1,261	1,123
International						
Beginning of period	557	626	654	746	746	858
Store openings	88	28	115	132	34	48
Store closings	(19)		(23)	(20)	(7)	(33)
End of period	626	654	746	858	773	873
Store-within-a-Store Locations						
Beginning of period	900	988	988	1,027	1,027	1,149
Location openings	93		44	130	17	11
Location closings	(5)		(5)	(8)	(1)	
End of period	988	988	1,027	1,149	1,043	1,160
Total locations	5,723	5,745	5,705	5,813	5,721	5,817

(a) Includes re-acquired franchised stores.

(4)

Same store sales growth reflects the percentage change in same store sales in the period presented compared to the prior year period. Same store sales are calculated on a daily basis for each store and exclude the net sales of a store for any period if the store was not open during the same period of the prior year. Beginning in the first quarter of 2006, we also included our internet sales, as generated through www.gnc.com and drugstore.com, in our domestic company-owned same store sales calculation. When a store s square footage has been changed as a result of reconfiguration or relocation in the same mall or shopping center, the store continues to be treated as a same store. If, during the period presented, a store was closed, relocated to a different mall or shopping center, or converted to a franchised store or a company-owned store, sales from that store up to and including the closing day or the day immediately preceding the relocation or conversion are included as same store sales as long as the store was open during the same period of the prior year. We exclude from the calculation sales during the period presented from the date of relocation to a different mall or shopping center and from the date of a conversion. In the second quarter of 2006, we modified the calculation method for domestic franchised same store sales consistent with this description, which has been the method historically used for domestic company-owned same store sales. Prior to the second quarter of 2006, we had included in domestic franchised same store sales the sales from franchised stores after relocation to a different mall or shopping center and from former company-owned stores after conversion to franchised stores. The franchised same store sales growth percentages for all prior periods have been adjusted to be consistent with the modified calculation method.

(5) Adjusted to reflect (a) the sale by us of 9,391,176 shares of our common stock offered hereby at an assumed initial public offering price of $17.00 per share and the application of the estimated net proceeds to us from this offering, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, and (b) the payment after completion of the offering and the redemption of our Series A preferred stock with cash on hand of a dividend totaling $25.0 million to our common stockholders of record before the offering and discretionary payments to each of our employee and non-employee option holders immediately before the offering totaling $2.4 million. See Use of Proceeds, Dividend Policy, and Capitalization.

(6) Working capital represents current assets less current liabilities.

Table of Contents

RISK FACTORS

Before deciding to invest in our common stock, you should carefully consider each of the following risk factors and all of the other information in this prospectus. The following risks comprise all the material risks of which we are aware; however, these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also adversely affect our business or financial performance. The following risks could materially harm our business, financial condition, future results, and cash flow. If that occurs, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks Relating to Our Business and Industry

We operate in a highly competitive industry. Our failure to compete effectively could adversely affect our market share, revenues, and growth prospects.

The U.S. nutritional supplements retail industry is large and highly fragmented. Participants include specialty retailers, supermarkets, drugstores, mass merchants, multi-level marketing organizations, on-line merchants, mail-order companies, and a variety of other smaller participants. We believe that the market is also highly sensitive to the introduction of new products, including various prescription drugs, which may rapidly capture a significant share of the market. In the United States, we also compete for sales with heavily advertised national brands manufactured by large pharmaceutical and food companies, as well as other retailers. In addition, as some products become more mainstream, we experience increased competition for those products as more participants enter the market. For example, when the trend in favor of low-carbohydrate products developed, we experienced increased competition for our diet products from supermarkets, drug stores, mass merchants, and other food companies, which adversely affected sales of our diet products. Our international competitors include large international pharmacy chains, major international supermarket chains, and other large U.S.-based companies with international operations. Our wholesale and manufacturing operations compete with other wholesalers and manufacturers of third-party nutritional supplements. We may not be able to compete effectively and our attempt to do so may require us to reduce our prices, which may result in lower margins. Failure to effectively compete could adversely affect our market share, revenues, and growth prospects.

Unfavorable publicity or consumer perception of our products and any similar products distributed by other companies could cause fluctuations in our operating results and could have a material adverse effect on our reputation, the demand for our products, and our ability to generate revenues.

We are highly dependent upon consumer perception of the safety and quality of our products, as well as similar products distributed by other companies. Consumer perception of products can be significantly influenced by scientific research or findings, national media attention, and other publicity about product use. A product may be received favorably, resulting in high sales associated with that product that may not be sustainable as consumer preferences change. Future scientific research or publicity could be unfavorable to our industry or any of our particular products and may not be consistent with earlier favorable research or publicity. A future research report or publicity that is perceived by our consumers as less favorable or that questions earlier research or publicity could have a material adverse effect on our ability to generate revenues. For example, sales of some of our VMHS products, such as St. John s Wort, Sam-e, and Melatonin, and more recently sales of Vitamin E, were initially strong, but we believe decreased substantially as a result of negative publicity. As a result of the above factors, our operations may fluctuate significantly from quarter to quarter, which may impair our ability to make payments when due on our debt. Period-to-period comparisons of our results should not be relied upon as a measure of our future performance. Adverse publicity in the form of published scientific research or otherwise, whether or not accurate, that associates consumption of our products or any other similar products with illness or other adverse effects, that questions the benefits of our or similar products, or that claims that such products are ineffective could have a material adverse effect on our reputation, the demand for our products, and our ability to generate revenues.

Our failure to appropriately respond to changing consumer preferences and demand for new products could significantly harm our customer relationships and product sales.

Our business is particularly subject to changing consumer trends and preferences, especially with respect to our diet products. For example, the recent trend in favor of low-carbohydrate diets was not as dependent on diet products as many other dietary programs, which caused and may continue to cause a significant reduction in sales in our diet category. Our continued success depends in part on our ability to anticipate and respond to these changes, and we may not be able to respond in a timely or commercially appropriate manner to these changes. If we are unable to do so, our customer relationships and product sales could be harmed significantly.

Furthermore, the nutritional supplement industry is characterized by rapid and frequent changes in demand for products and new product introductions. Our failure to accurately predict these trends could negatively impact consumer opinion of our stores as a source for the latest products. This could harm our customer relationships and cause losses to our market share. The success of our new product offerings depends upon a number of factors, including our ability to:

- accurately anticipate customer needs;
- innovate and develop new products;
- successfully commercialize new products in a timely manner;
- price our products competitively;
- manufacture and deliver our products in sufficient volumes and in a timely manner; and
- differentiate our product offerings from those of our competitors.

If we do not introduce new products or make enhancements to meet the changing needs of our customers in a timely manner, some of our products could become obsolete, which could have a material adverse effect on our revenues and operating results.

Changes in our management team could affect our business strategy and adversely impact our performance and results of operations.

In the last two years, we have experienced significant management changes. In December 2004, our then Chief Executive Officer resigned. In 2005, six of our then executive officers resigned at different times, including our former Chief Executive Officer, who served in that position for approximately five months. In November 2005, our board of directors appointed Joseph Fortunato, then our Chief Operating Officer, as our Chief Executive Officer. Some of these changes were the result of the officer s personal decision to pursue other opportunities. The remaining changes were instituted by us as part of strategic initiatives executed in 2005 in order to enhance our business and reposition our operations for stronger future performance. Effective April 17, 2006, our Chief Operating Officer resigned to become a senior officer of Linens n Things, Inc., which is controlled by an affiliate of Apollo Management, L.P., an affiliate of our principal stockholder. He continues to serve as Merchandising Counselor. At that time, we appointed a new Chief Merchandising Officer, who resigned effective April 28, 2006, because of disagreements about the direction of our merchandising efforts. We will continue to enhance our management team as necessary to strengthen our business for future growth. Although we do not anticipate additional significant management changes, these and other changes in management could result in changes to, or impact the execution of, our business strategy. Any such changes could be significant and could have a negative impact on our performance and results of operations. In addition, if we are unable to successfully transition members of management into their new positions, management resources could be constrained.

Compliance with new and existing governmental regulations could increase our costs significantly and adversely affect our results of operations.

The processing, formulation, manufacturing, packaging, labeling, advertising, and distribution of our products are subject to federal laws and regulation by one or more federal agencies, including the Food and Drug Administration, or FDA, the Federal Trade Commission, or FTC, the Consumer Product Safety Commission, the United States Department of Agriculture, and the Environmental Protection Agency. These activities are also regulated by various state, local, and international laws and agencies of the states and localities in which our products are sold. Government regulations may prevent or delay the introduction, or require the reformulation, of our products, which could result in lost revenues and increased costs to us. For instance, the FDA regulates, among other things, the composition, safety, labeling, and marketing of dietary supplements (including vitamins, minerals, herbs, and other dietary ingredients for human use). The FDA may not accept the evidence of safety for any new dietary ingredient that we may wish to market, may determine that a particular dietary supplement or ingredient presents an unacceptable health risk, and may determine that a particular claim or statement of nutritional value that we use to support the marketing of a dietary supplement is an impermissible drug claim or an unauthorized version of a health claim. See Business Government Regulations Product Regulation. Any of these actions could prevent us from marketing particular dietary supplement products or making certain claims or statements of nutritional support for them. The FDA could also require us to remove a particular product from the market. For example, in April 2004, the FDA banned the sale of products containing ephedra. Sale of products containing ephedra amounted to approximately $35.2 million, or 3.3%, of our retail sales in 2003 and approximately $182.9 million, or 17.1%, of our retail sales in 2002. Any future recall or removal would result in additional costs to us, including lost revenues from any additional products that we are required to remove from the market, any of which could be material. Any product recalls or removals could also lead to liability, substantial costs, and reduced growth prospects.

Additional or more stringent regulations of dietary supplements and other products have been considered from time to time. These developments could require reformulation of some products to meet new standards, recalls or discontinuance of some products not able to be reformulated, additional record-keeping requirements, increased documentation of the properties of some products, additional or different labeling, additional scientific substantiation, adverse event reporting, or other new requirements. Any of these developments could increase our costs significantly. For example, legislation has been introduced in Congress to impose substantial new regulatory requirements for dietary supplements including adverse event reporting and other requirements. Key members of Congress and the dietary supplement industry have indicated that they have reached an agreement to support legislation requiring adverse event reporting. If enacted, new legislation could raise our costs and negatively impact our business. In addition, we expect that the FDA will soon adopt the proposed rules on Good Manufacturing Practice in manufacturing, packaging, or holding dietary ingredients and dietary supplements, which will apply to the products we manufacture. We may not be able to comply with the new rules without incurring additional expenses, which could be significant. See Business Government Regulation Product Regulation for additional information.

Our failure to comply with FTC regulations and existing consent decrees imposed on us by the FTC could result in substantial monetary penalties and could adversely affect our operating results.

The FTC exercises jurisdiction over the advertising of dietary supplements and has instituted numerous enforcement actions against dietary supplement companies, including us, for failure to have adequate substantiation for claims made in advertising or for the use of false or misleading advertising claims. As a result of these enforcement actions, we are currently subject to three consent decrees that limit our ability to make certain claims with respect to our products and required us to pay civil penalties and other amounts in the aggregate amount of $3.0 million. See Business Government Regulation Product Regulation. Failure by us or our franchisees to comply with the consent decrees and applicable regulations could occur from time to time. Violations of these orders could result in substantial monetary penalties, which could have a material adverse effect on our financial condition or results of operations.

Because we rely on our manufacturing operations to produce nearly all of the proprietary products we sell, disruptions in our manufacturing system or losses of manufacturing certifications could adversely affect our sales and customer relationships.

Our manufacturing operations produced approximately 33% of the products we sold for the first quarter of 2006 and approximately 35% for 2005. Other than powders and liquids, nearly all of our proprietary products are produced in our manufacturing facility located in Greenville, South Carolina. As of March 31, 2006, no one vendor supplied more than 10% of our raw materials. In the event any of our third-party suppliers or vendors were to become unable or unwilling to continue to provide raw materials in the required volumes and quality levels or in a timely manner, we would be required to identify and obtain acceptable replacement supply sources. If we are unable to obtain alternative supply sources, our business could be adversely affected. Any significant disruption in our operations at our Greenville, South Carolina facility for any reason, including regulatory requirements and loss of certifications, power interruptions, fires, hurricanes, war, or other force majeure, could disrupt our supply of products, adversely affecting our sales and customer relationships.

If we fail to protect our brand name, competitors may adopt trade names that dilute the value of our brand name.

We have invested significant resources to promote our GNC brand name in order to obtain the public recognition that we have today. However, we may be unable or unwilling to strictly enforce our trademark in each jurisdiction in which we do business. In addition, because of the differences in foreign trademark laws concerning proprietary rights, our trademark may not receive the same degree of protection in foreign countries as it does in the United States. Also, we may not always be able to successfully enforce our trademark against competitors or against challenges by others. For example, a third party is currently challenging our right to register in the United States certain marks that incorporate our GNC Live Well trademark. Our failure to successfully protect our trademark could diminish the value and effectiveness of our past and future marketing efforts and could cause customer confusion. This could in turn adversely affect our revenues and profitability.

Intellectual property litigation and infringement claims against us could cause us to incur significant expenses or prevent us from manufacturing, selling, or using some aspect of our products, which could adversely affect our revenues and market share.

We are currently and may in the future be subject to intellectual property litigation and infringement claims, which could cause us to incur significant expenses or prevent us from manufacturing, selling, or using some aspect of our products. Claims of intellectual property infringement also may require us to enter into costly royalty or license agreements. However, we may be unable to obtain royalty or license agreements on terms acceptable to us or at all. Claims that our technology or products infringe on intellectual property rights could be costly and would divert the attention of management and key personnel, which in turn could adversely affect our revenues and profitability. We are currently subject to intellectual property infringement claims pursuant to litigation instituted against one of our wholly owned subsidiaries by a third party based on alleged infringement of patents by our subsidiary. We believe that these claims are without merit, and we intend to defend them vigorously. See Business Legal Proceedings.

A substantial amount of our revenues are generated from our franchisees, and our revenues could decrease significantly if our franchisees do not conduct their operations profitably or if we fail to attract new franchisees.

As of March 31, 2006 approximately 34%, and as of December 31, 2005 approximately 35%, of our retail locations were operated by franchisees. Our franchise operations generated approximately 16% of our revenues for the first quarter of 2006 and for 2005. Our revenues from franchised stores depend on the franchisees ability to operate their stores profitably and adhere to our franchise standards. The closing of unprofitable franchised stores or the failure of franchisees to comply with our policies could adversely

Table of Contents

affect our reputation and could reduce the amount of our franchise revenues. These factors could have a material adverse effect on our revenues and operating income.

If we are unable to attract new franchisees or to convince existing franchisees to open additional stores, any growth in royalties from franchised stores will depend solely upon increases in revenues at existing franchised stores, which could be minimal. In addition, our ability to open additional franchised locations is limited by the territorial restrictions in our existing franchise agreements as well as our ability to identify additional markets in the United States and other countries that are not currently saturated with the products we offer. If we are unable to open additional franchised locations, we will have to sustain additional growth internally by attracting new and repeat customers to our existing locations.

Economic, political, and other risks associated with our international operations could adversely affect our revenues and international growth prospects.

As of March 31, 2006, we had 873 international franchised stores in 45 international markets. We derived 7.9% of our revenues for the first quarter of 2006 and 8.2% of our revenues for 2005 from our international operations. As part of our business strategy, we intend to expand our international franchise presence. Our international operations are subject to a number of risks inherent to operating in foreign countries, and any expansion of our international operations will increase the effects of these risks. These risks include, among others:

- political and economic instability of foreign markets;
- foreign governments restrictive trade policies;
- inconsistent product regulation or sudden policy changes by foreign agencies or governments;
- the imposition of, or increase in, duties, taxes, government royalties, or non-tariff trade barriers;
- difficulty in collecting international accounts receivable and potentially longer payment cycles;
- increased costs in maintaining international franchise and marketing efforts;
- difficulty in operating our manufacturing facility abroad and procuring supplies from overseas suppliers;
- exchange controls;
- problems entering international markets with different cultural bases and consumer preferences; and
- fluctuations in foreign currency exchange rates.

Any of these risks could have a material adverse effect on our international operations and our growth strategy.

Franchise regulations could limit our ability to terminate or replace under-performing franchises, which could adversely impact franchise revenues.

As a franchisor, we are subject to federal, state, and international laws regulating the offer and sale of franchises. These laws impose registration and extensive disclosure requirements on the offer and sale of franchises and frequently apply substantive standards to the relationship between franchisor and franchisee and limit the ability of a franchisor to terminate or refuse to renew a franchise. We may, therefore, be required to retain an under-performing franchise and may be unable to replace the franchisee, which could adversely impact franchise revenues. In addition, we cannot predict the nature and effect of any future legislation or regulation on our franchise operations.

We may incur material product liability claims, which could increase our costs and adversely affect our reputation, revenues, and operating income.

As a retailer, distributor, and manufacturer of products designed for human consumption, we are subject to product liability claims if the use of our products is alleged to have resulted in injury. Our products consist of vitamins, minerals, herbs, and other ingredients that are classified as foods or dietary supplements and are not subject to pre-market regulatory approval in the United States. Our products could contain contaminated substances, and some of our products contain ingredients that do not have long histories of human consumption. Previously unknown adverse reactions resulting from human consumption of these ingredients could occur. In addition, third-party manufacturers produce many of the products we sell. As a distributor of products manufactured by third parties, we may also be liable for various product liability claims for products we do not manufacture. We have been and may be subject to various product liability claims, including, among others, that our products include inadequate instructions for use or inadequate warnings concerning possible side effects and interactions with other substances. For example, as of March 31, 2006, we have been named as a defendant in 227 pending cases involving the sale of products that contain ephedra. See Business Legal Proceedings. Any product liability claim against us could result in increased costs and could adversely affect our reputation with our customers, which in turn could adversely affect our revenues and operating income. All claims to date have been tendered to the third-party manufacturer or to our insurer, and we have incurred no expense to date with respect to litigation involving ephedra products. Furthermore, we are entitled to indemnification by Numico for losses arising from claims related to products containing ephedra sold before December 5, 2003. All of the pending cases relate to products sold before that time.

We are not insured for a significant portion of our claims exposure, which could materially and adversely affect our operating income and profitability.

We have procured insurance independently for the following areas: (1) general liability; (2) product liability; (3) directors and officers liability; (4) property insurance; (5) workers compensation insurance; and (6) various other areas. We are self-insured for other areas, including: (1) medical benefits; (2) workers compensation coverage in New York, with a stop loss of $250,000; (3) physical damage to our tractors, trailers, and fleet vehicles for field personnel use; and (4) physical damages that may occur at company-owned stores. We are not insured for some property and casualty risks due to the frequency and severity of a loss, the cost of insurance, and the overall risk analysis. In addition, we carry product liability insurance coverage that requires us to pay deductibles/retentions with primary and excess liability coverage above the deductible/retention amount. Because of our deductibles and self-insured retention amounts, we have significant exposure to fluctuations in the number and severity of claims. We currently maintain product liability insurance with a retention of $1.0 million per claim with an aggregate cap on retained loss of $10.0 million. As a result, our insurance and claims expense could increase in the future. Alternatively, we could raise our deductibles/retentions, which would increase our already significant exposure to expense from claims. If any claim exceeds our coverage, we would bear the excess expense, in addition to our other self-insured amounts. If the frequency or severity of claims or our expenses increase, our operating income and profitability could be materially adversely affected. See Business Legal Proceedings.

Risks Related to Our Substantial Debt

Our substantial debt could adversely affect our results of operations and financial condition and otherwise adversely impact our operating income and growth prospects.

As of March 31, 2006, our total debt was approximately $472.8 million, and we had an additional $65.1 million available for borrowing on a secured basis under our $75.0 million senior revolving credit facility after giving effect to the use of $9.9 million of the revolving credit facility to secure letters of credit. All of the debt under our senior credit facility bears interest at variable rates. We are subject to additional interest expense if these rates increase significantly, which could also reduce our ability to borrow additional funds.

Our substantial debt could have important consequences on our financial condition. For example, it could:

- require us to use all or a large portion of our cash to pay principal and interest on our debt, which could reduce the availability of our cash to fund working capital, capital expenditures, and other business activities;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict us from making strategic acquisitions or exploiting business opportunities;
- make it more difficult for us to satisfy our obligations with respect to our debt;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds, dispose of assets, or pay cash dividends.

For additional information regarding the interest rates and maturity dates of our debt, see Description of Certain Debt.

We require a significant amount of cash to service our debt. Our ability to generate cash depends on many factors beyond our control and, as a result, we may not be able to make payments on our debt obligations.

We may be unable to generate sufficient cash flow from operations, to realize anticipated cost savings and operating improvements on schedule or at all, or to obtain future borrowings under our credit facilities or otherwise in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. In addition, because we conduct our operations through our operating subsidiaries, we depend on those entities for dividends and other payments to generate the funds necessary to meet our financial obligations, including payments on our debt. Under certain circumstances, legal and contractual restrictions, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries. If we do not have sufficient liquidity, we may need to refinance or restructure all or a portion of our debt on or before maturity, sell assets, or borrow more money. We may not be able to do so on terms satisfactory to us or at all.

If we are unable to meet our obligations with respect to our debt, we could be forced to restructure or refinance our debt, seek equity financing, or sell assets. If we are unable to restructure, refinance, or sell assets in a timely manner or on terms satisfactory to us, we may default under our obligations. As of March 31, 2006, substantially all of our debt was subject to acceleration clauses. A default on any of our debt obligations could trigger these acceleration clauses and cause those and our other obligations to become immediately due and payable. Upon an acceleration of any of our debt, we may not be able to make payments under our debt.

Changes in our results of operation or financial condition and other events may adversely affect our ability to comply with financial covenants in our senior credit facility or other debt covenants.

We are required by our senior credit facility to maintain certain financial ratios, including, but not limited to, fixed charge coverage and maximum total leverage ratios. Our ability to comply with these covenants and other provisions of the senior credit facility, the indentures governing Centers existing senior notes and senior subordinated notes, or similar covenants in future debt financings may be affected by changes in our operating and financial performance, changes in general business and economic conditions, adverse regulatory developments, or other events beyond our control. The breach of any of these covenants could result in a default under our debt, which could cause those and other obligations to become immediately due and payable. If any of our debt is accelerated, we may not be able to repay it.

Table of Contents

Despite our and our subsidiaries current significant level of debt, we may still be able to incur more debt, which would increase the risks described above.

We and our subsidiaries may be able to incur substantial additional debt in the future, including secured debt. Although our senior credit facility and the indentures governing Centers existing senior notes and senior subordinated notes contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of qualifications and exceptions, and under certain circumstances, debt incurred in compliance with these restrictions could be substantial. If additional debt is added to our current level of debt, the substantial risks described above would increase.

Risks Relating to an Investment in Our Stock

Our principal stockholder may take actions that conflict with your interests. This control may have the effect of delaying or preventing changes of control or changes in management or limiting the ability of other stockholders to approve transactions they deem to be in their best interest.

Immediately following this offering, 58.3% of our common stock, or 52.4% if the underwriters exercise their overallotment option in full, will be held by GNC Investors, LLC, our principal stockholder. In our stockholders agreement, each of our current stockholders, including our principal stockholder, has irrevocably appointed Apollo Investment Fund V, L.P., an affiliate of our principal stockholder, as its proxy and attorney-in-fact to vote all of the shares of common stock held by the stockholder at any time for all matters subject to the vote of the stockholder in the manner determined by Apollo Investment Fund V in its sole and absolute discretion, whether at any meeting of the stockholders or by written consent or otherwise. The proxy remains in effect for so long as Apollo Investment Fund V, together with related co-investment entities (which we refer to along with Apollo Investment Fund V as Apollo Funds V), which include our principal stockholder in certain circumstances, own at least 3,584,700 shares of our common stock. Accordingly, upon completion of this offering and giving effect to the use of proceeds from the offering, Apollo Investment Fund V will have the right to vote shares representing 60.8% of our common stock, or 54.9% if the underwriters exercise their overallotment option in full. In addition, so long as Apollo Funds V own at least 3,584,700 shares of our common stock, and subject to the rights of the holders of our preferred stock, Apollo Investment Fund V has the right to nominate all of the members of our board of directors, and each of our current stockholders has agreed to vote all shares of common stock held by the stockholder to ensure the election of the directors nominated by Apollo Investment Fund V. As a result, Apollo Investment Fund V will continue to be able to exercise control over all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation, and approval of significant corporate transactions, and it will have significant control over our management and policies. This control may have the effect of delaying or preventing changes in control or changes in management, or limiting the ability of our other stockholders to approve transactions that they may deem to be in their best interest. See Description of Capital Stock Stockholders Agreement.

We will be a controlled company within the meaning of the New York Stock Exchange rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements that provide protection to stockholders of other companies.

After the completion of this offering, GNC Investors, LLC will own more than 50% of our outstanding common stock, and Apollo Investment Fund V will hold more than 50% of the total voting power of our common stock, and, therefore, we will be a controlled company under the NYSE corporate governance standards. As a controlled company, we intend to utilize certain exemptions under the NYSE standards that free us from the obligation to comply with certain NYSE corporate governance requirements, including the requirements:

- that a majority of our board of directors consists of independent directors;
- that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities;

- that we have a compensation committee that is composed entirely of independent directors; and
- that we conduct an annual performance evaluation of the nominating and governance committee and the compensation committee.

As a result of our use of the controlled company exemptions, you will not have the same protection afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements. See Management Board Composition for more information.

The price of our common stock may fluctuate substantially, and you could lose all or part of your investment.

The initial public offering price for the shares of our common stock sold in this offering will be determined by negotiation between the representatives of the underwriters, Apollo Management V, L.P., and us. This price may not reflect the market price of our common stock following this offering. In addition, the market price of our common stock is likely to be highly volatile and may fluctuate substantially due to many factors, including:

- actual or anticipated fluctuations in our results of operations;
- variance in our financial performance from the expectations of market analysts;
- conditions and trends in the markets we serve;
- announcements of significant new products by us or our competitors;
- changes in our pricing policies or the pricing policies of our competitors;
- legislation or regulatory policies, practices, or actions;
- the commencement or outcome of litigation;
- our sale of common stock or other securities in the future, or sales of our common stock by our principal stockholder;
- changes in market valuation or earnings of our competitors;
- the trading volume of our common stock;
- changes in the estimation of the future size and growth rate of our markets; and
- general economic conditions.

In addition, the stock market in general, the New York Stock Exchange, and the market for health and nutritional supplements companies in particular have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. If any of these factors causes us to fail to meet the expectations of securities analysts or investors, or if adverse conditions prevail or are perceived to prevail with respect to our business, the price of our common stock would likely drop significantly.

We currently do not intend to pay dividends on our common stock after the offering. Consequently, your only opportunity to achieve a return on your investment is if the price of our common stock appreciates.

We currently do not plan to declare dividends on shares of our common stock after the offering and for the foreseeable future. Further, Centers is currently restricted from declaring or paying cash dividends to us pursuant to the terms of its senior credit facility, its senior subordinated notes, and its senior notes, which effectively restricts us from declaring or paying any cash dividends. Centers has already used exceptions to these restrictions to make payments totaling $49.9 million to our common stockholders in March 2006. We have declared a dividend totaling $25.0 million to our common stockholders of record immediately before the offering, which will be payable by us with cash on hand after completion of the offering and the redemption of our Series A preferred stock. See Dividend Policy for more information.

Consequently, your only opportunity to achieve a return on your investment in our company will be if the market price of our common stock appreciates and you sell your shares at a profit. There is no guarantee that the price of our common stock that will prevail in the market after this offering will ever exceed the price that you pay.

Future sales of our common stock may depress our share price.

After this offering, we will have 59,955,124 shares of common stock outstanding. The 23,530,000 shares sold in this offering, or 27,059,500 shares if the underwriters overallotment option is exercised in full, will be freely tradable without restriction or further registration under federal securities laws unless purchased by our affiliates. The remaining shares of common stock outstanding after this offering will be available for sale in the public market as follows:

Number of Shares	Date of Availability for Sale
628,514	On the date of this prospectus
35,625,910	180 days after the date of this prospectus, although all of these shares will be subject to certain volume limitations under Rule 144 of the Securities Act

The above table assumes the effectiveness of the lock-up agreements under which our executive officers, directors, and our principal stockholder have agreed not to sell or otherwise dispose of their shares of common stock and that we or the representatives of the underwriters have not waived the market stand-off provisions applicable to holders of options to purchase our common stock. Holders of options to purchase 4,795,766 shares of our common stock have entered into stock option agreements with us pursuant to which they have agreed not to sell or otherwise dispose of shares of common stock underlying these options for a period of 180 days after the date of this prospectus without the prior written consent of GNC or the underwriters subject to exceptions and possible extension as described in Underwriting.

Merrill Lynch, Lehman Brothers Inc., and UBS Securities LLC may, in their discretion and at any time without notice, release all or any portion of the securities subject to the lock-up agreements or the market stand-off provisions in our stock option agreements.

Sales of substantial amounts of our common stock in the public market following this offering, or the perception that these sales may occur, could cause the market price of our common stock to decline. After the lock-up agreements pertaining to this offering expire, additional stockholders, including our principal stockholder, will be able to sell their shares in the public market, subject to legal restrictions on transfer. As soon as practicable upon completion of this offering, we also intend to file registration statements covering shares of our common stock issued or reserved for issuance under our stock plans. In addition, under our stockholders agreement, some of our stockholders are entitled to registration rights. Subject to the terms of the lock-up agreements, registration of the sale of these shares of our common stock would generally permit their sale into the market immediately after registration. These registration rights of our stockholders could impair our ability to raise capital by depressing the price of our common stock. We may also sell additional shares of common stock in subsequent public offerings, which may adversely affect market prices for our common stock. See Shares Eligible for Future Sale for more information.

As a new investor, you will experience substantial dilution in the net tangible book value of your shares.

The initial public offering price of our common stock will be considerably more than the net tangible book value per share of our outstanding common stock. Accordingly, investors purchasing shares of common stock from us in this offering will:

- pay a price per share that substantially exceeds the value of our assets after subtracting liabilities; and

- contribute 47.3% of the total amount invested to fund our company, but will own only 15.7% of the shares of common stock outstanding after this offering and the use of proceeds from the offering.

Table of Contents

To the extent outstanding stock options are exercised, there will be further dilution to new investors. See Dilution for more information.

Certain provisions of our corporate governing documents and Delaware law could discourage, delay, or prevent a merger or acquisition at a premium price.

Certain provisions of our organizational documents and Delaware law could discourage potential acquisition proposals, delay or prevent a change in control of our company, or limit the price that investors may be willing to pay in the future for shares of our common stock. For example, our certificate of incorporation and by-laws permit us to issue, without any further vote or action by the stockholders, up to 150,000,000 shares of preferred stock in one or more series and, with respect to each series, to fix the number of shares constituting the series and the designation of the series, the voting powers (if any) of the shares of the series, and the preferences and relative, participating, optional, and other special rights, if any, and any qualifications, limitations, or restrictions of the shares of the series. In addition, our certificate of incorporation permits our board of directors to adopt amendments to our by-laws. See Description of Capital Stock Provisions of Our Amended and Restated Certificate of Incorporation and Amended and Restated By-laws and Delaware Law that May Have an Anti-Takeover Effect.

Our holding company structure makes us dependent on our subsidiaries for our cash flow and subordinates the rights of our stockholders to the rights of creditors of our subsidiaries in the event of an insolvency or liquidation of any of our subsidiaries.

We are a holding company and, accordingly, substantially all of our operations are conducted through our subsidiaries. Our subsidiaries are separate and distinct legal entities. As a result, our cash flow depends upon the earnings of our subsidiaries. In addition, we depend on the distribution of earnings, loans, or other payments by our subsidiaries to us. Our subsidiaries have no obligation to provide us with funds for our payment obligations. If there is an insolvency, liquidation, or other reorganization of any of our subsidiaries, our stockholders will have no right to proceed against their assets. Creditors of those subsidiaries will be entitled to payment in full from the sale or other disposal of the assets of those subsidiaries before we, as a stockholder, would be entitled to receive any distribution from that sale or disposal.

Table of Contents

ABOUT THIS PROSPECTUS

Throughout this prospectus, we use market data and industry forecasts and projections that we have obtained from market research, publicly available information, and industry publications. The industry forecasts and projections are based on industry surveys and the preparers experience in the industry, and we cannot give you any assurance that any of the projected results will be achieved.

We own or have rights to trademarks or trade names that we use in conjunction with the operation of our business. Our service marks and trademarks include the GNC® name. Each trademark, trade name, or service mark of any other company appearing in this prospectus belongs to its holder. Use or display by us of other parties trademarks, trade names, or service marks is not intended to and does not imply a relationship with, or endorsement or sponsorship by us of, the owner of the trademark, trade name, or service mark.

The contents of our website, www.gnc.com, are not a part of this prospectus.

We refer to the terms EBITDA and Adjusted EBITDA in various places in this prospectus. EBITDA and Adjusted EBITDA are non-GAAP measures of performance and liquidity, as applicable. For the definitions of EBITDA and Adjusted EBITDA and a reconciliation of net income and net cash provided by operating activities to EBITDA and EBITDA to Adjusted EBITDA, see note (1) to Summary Consolidated Financial Data.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements with respect to our financial condition, results of operations, and business that is not historical information. Forward-looking statements include statements that may relate to our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, and other information that is not historical information. Many of these statements appear, in particular, under the headings Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Business. Forward-looking statements can be identified by the use of terminology such as subject to, believe, anticipate, plan, expect, intend, estimate, project, may, will, should, can, variations thereon, and similar expressions, or by discussions of strategy.

All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. We believe there is a reasonable basis for our expectations and beliefs, but they are inherently uncertain. We may not realize our expectations, and our beliefs may not prove correct. Actual results could differ materially from those described or implied by such forward-looking statements. Factors that may materially affect such forward-looking statements include, among others:

- significant competition in our industry;
- unfavorable publicity or consumer perception of our products;
- the incurrence of material product liability and product recall costs;
- costs of compliance and our failure to comply with governmental regulations;
- the failure of our franchisees to conduct their operations profitably and limitations on our ability to terminate or replace under-performing franchisees;
- economic, political, and other risks associated with our international operations;
- our failure to keep pace with the demands of our customers for new products and services;
- disruptions in our manufacturing system or losses of manufacturing certifications;
- the lack of long-term experience with human consumption of ingredients in some of our products;
- increases in the frequency and severity of insurance claims, particularly claims for which we are self-insured;
- loss or retirement of key members of management;
- increases in the cost of borrowings and limitations on availability of additional debt or equity capital;
- the impact of our substantial debt on our operating income and our ability to grow; and
- the failure to adequately protect or enforce our intellectual property rights against competitors.

Consequently, forward-looking statements should be regarded solely as our current plans, estimates, and beliefs. You should not place undue reliance on forward-looking statements. We cannot guarantee future results, events, levels of activity, performance, or achievements. We do not undertake and specifically decline any obligation to update, republish, or revise forward-looking statements to reflect future events or circumstances or to reflect the occurrences of unanticipated events.

USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately $147.8 million, based on an assumed initial public offering price of $17.00 per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses. A $1.00 change in the per share offering price would change net proceeds to us by approximately $8.8 million. We will not receive any proceeds from the sale of the shares being offered by the selling stockholders.

We intend to use our net proceeds to redeem all $100.0 million in liquidation preference of our outstanding Series A preferred stock at a redemption price per share of $1,085.71, plus accumulated dividends not paid in cash through the redemption date and related expenses. Any of our remaining net proceeds will be used for working capital and general corporate purposes.

We issued the Series A preferred stock in December 2003 to our principal stockholder as part of its equity contribution in connection with the Numico acquisition. In the same month, our principal stockholder sold the shares of Series A preferred stock to qualified institutional buyers in a private offering pursuant to Rule 144A under the Securities Act. In September 2004, we exchanged the shares of Series A preferred stock for shares registered under the Securities Act. The shares are eligible for trading on the PORTAL^{sm} Market. We believe that none of the holders of the Series A preferred stock are our affiliates or affiliates of our principal stockholder. The holders of the Series A preferred stock are entitled to receive dividends at a rate per year equal to 12% of the liquidation preference of $1,000 per share plus accumulated dividends. Dividends on the Series A preferred stock are payable quarterly, but we have elected not to pay dividends in cash, and, as of June 1, 2006, the accumulated dividends for each share totaled $342.18.

To the extent that the underwriters exercise their option to purchase additional shares of common stock to cover overallotments from the selling stockholders, we will not receive any proceeds from the exercise of this option.

DIVIDEND POLICY

We currently do not anticipate paying any cash dividends after the offering and for the foreseeable future. Instead, we anticipate that all of our earnings on our common stock, in the foreseeable future will be used to repay debt, to provide working capital, to support our operations, and to finance the growth and development of our business. Any future determination relating to dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including restrictions in our debt instruments, our future earnings, capital requirements, financial condition, future prospects, and applicable Delaware law, which provides that dividends are only payable out of surplus or current net profits.

Centers is currently restricted from declaring or paying cash dividends to us pursuant to the terms of its senior credit facility, its senior subordinated notes, and its senior notes, which restricts our ability to declare or pay any cash dividends. Centers has already used exceptions to these restrictions to make permitted restricted payments totaling $49.9 million to our common stockholders in March 2006. These payments were determined to be in compliance with Centers debt covenants and the terms of our Series A preferred stock. We have declared a dividend totaling $25.0 million to our common stockholders of record before the offering who consist of our principal stockholder, some of our directors and executive officers, and other members of GNC management. See Certain Relationships and Related Transactions Planned Dividend and Discretionary Payments. The dividend declaration is expressly conditioned upon the redemption of our outstanding Series A preferred stock. See Use of Proceeds. The dividend will be payable as a permitted restricted payment with cash on hand after completion of the offering and the redemption of our Series A preferred stock.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2006 on:

- an actual basis; and

- an as adjusted basis, giving effect to (1) the completion of this offering, including the application of the estimated net proceeds from this offering described under Use of Proceeds, and (2) the payment after the offering and the redemption of our Series A preferred stock to our common stockholders of record before the offering of a dividend totaling $25.0 million, and a $2.4 million payment to our employee and non-employee option holders.

The table below should be read in conjunction with Use of Proceeds, Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Description of Capital Stock, Description of Certain Debt, and our consolidated financial statements and their notes included in this prospectus.

	As of June 30, 2006	
	Actual	**As Adjusted**
	(Unaudited) (In millions, except share data)	
Cash and cash equivalents(1)	$ 57.5	$ 34.4
Long-term debt (including current maturities):		
Senior credit facility(2)	$ 95.7	$ 95.7
Mortgage and capital leases	11.6	11.6
Senior notes	150.0	150.0
Senior subordinated notes	215.0	215.0
Total long-term debt	472.3	472.3
Cumulative redeemable exchangeable preferred stock, $0.01 par value; 110,000 shares authorized, 100,000 shares issued and outstanding, actual; no shares authorized or issued and outstanding, as adjusted(3)	135.0	
Stockholders equity:		
Common stock, $0.01 par value; 100,000,000 shares authorized, 50,563,948 shares issued and outstanding, actual; 160,000,000 shares authorized, 59,955,124 shares issued and outstanding, as adjusted	0.5	0.6
Paid-in-capital	129.2	276.9
Retained earnings(1)	49.6	17.7
Accumulated other comprehensive income	1.2	1.2
Total stockholders equity	180.5	296.4
Total capitalization	$ 787.8	$ 768.7

(1)

We have declared a dividend totaling $25.0 million to our common stockholders of record immediately before the offering, which will be paid with cash on hand after completion of the offering and the redemption of our Series A preferred stock. We have also approved a discretionary payment to each of our employee and non-employee option holders immediately before the offering totaling $2.4 million, which will be made at the same time as the dividend payment. Also reflects payment of $8.6 million liquidation premium related to the redemption of our Series A preferred stock and related tax effects of ($4.1) million for all of these items.

(2) The senior credit facility consists of a $75.0 million revolving credit facility and a $95.9 million term loan facility. As of March 31, 2006, no amounts had been drawn on the revolving credit facility. Total availability under the revolving credit facility was $65.1 million, after giving effect to $9.9 million of outstanding letters of credit.

(3) We intend to use our net proceeds from the offering to redeem all of our outstanding preferred stock.

Table of Contents

DILUTION

At June 30, 2006, the net tangible book value of our common stock was approximately $(166.3) million, or approximately $(3.29) per share of our common stock. After giving effect to (1) the sale of shares of our common stock in this offering at an assumed initial public offering price of $17.00 per share, and after deducting estimated underwriting discounts and commissions and the estimated offering expenses of this offering, and (2) the payment after the offering and the redemption of our Series A preferred stock (including the redemption premium of $8.6 million) to our common stockholders of record before the offering of a dividend totaling $25.0 million and discretionary payments to each of our employee and non-employee option holders immediately before the offering totaling $2.4 million, the as adjusted net tangible book value at June 30, 2006 attributable to common stockholders would have been approximately $(50.4) million, or approximately $(0.84) per share of our common stock. This represents a net increase in net tangible book value of $2.45 per existing share and an immediate dilution in net tangible book value of $17.84 per share to new stockholders. The following table illustrates this per share dilution to new stockholders:

Assumed initial public offering price per share		$ 17.00
Net tangible book value per share as of June 30, 2006	$ (3.29)	
Increase per share attributable to this offering	$ 2.45	
As adjusted net tangible book value per share after this offering		$ (0.84)
Dilution per share to new stockholders		$ 17.84

A $1.00 increase (decrease) in the assumed initial public offering price of $17.00 per share would decrease (increase) our as adjusted tangible deficit by approximately $8.8 million, the as adjusted net tangible book deficit per share after this offering by approximately $0.15 per share, and the dilution per share to new stockholders in this offering by approximately $0.85, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

The table below summarizes, as of June 30, 2006, the differences for (1) our existing stockholders, (2) selling stockholders, and (3) investors in this offering, with respect to the number of shares of common stock purchased from us, the total consideration paid, and the average price per share paid before deducting fees and expenses.

	Shares Issued		Total Consideration		Average Price per Share
	Number	Percentage	Amount (In thousands)	Percentage	
Existing stockholders	36,425,124	60.7%	$128,032	38.0%	$ 3.51
Selling stockholders	14,138,824	23.6%	49,697	14.7%	$ 3.51
New stockholders in this offering	9,391,176	15.7%	159,650	47.3%	$ 17.00
Total	59,955,124	100%	$337,379	100%	$ 5.63

The foregoing discussion and tables assume no exercise of stock options to purchase 4,810,890 shares of our common stock subject to outstanding stock options with a weighted average exercise price of $3.64 per share as of June 30, 2006 and exclude 3,800,000 shares of our common stock available for future grant or issuance under our stock plans. To the extent that any options having an exercise price that is less than the offering price of this offering are exercised, new investors will experience further dilution.

27

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The unaudited pro forma consolidated statements of operations for the year ended December 31, 2005 and for the six months ended June 30, 2006 give effect to this offering as if it had been consummated on January 1, 2005. The unaudited pro forma consolidated balance sheet as of June 30, 2006 gives effect to this offering as if it been consummated on such date. The unaudited pro forma consolidated financial statements give effect to: (1) the issuance of 9,391,176 shares of our common stock at an assumed offering price of $17.00 per share resulting in net proceeds of $147.8 million (after deducting estimated offering expenses of $11.8 million), (2) the redemption of our Series A preferred stock at a redemption price of $1,085.71, plus accumulated dividends, and (3) the payment after the completion of the offering and the redemption of our preferred stock of a $25.0 million dividend to our common stockholders and a $2.4 million discretionary payment at the same time to our employee and non-employee option holders, each to be funded with available cash on hand.

The unaudited pro forma consolidated financial data do not purport to represent what our results of operations would have been if this offering had occurred as of the dates indicated, nor are they indicative of results for any future periods.

The unaudited pro forma consolidated statements of operations do not present the effect of non-recurring charges resulting from the offering as a result of: (1) the redemption premium of $8.6 million related to the redemption of our Series A preferred stock and (2) discretionary payments after the offering and the preferred stock redemption to each of our employee and non-employee option holders immediately before the offering totaling $2.4 million.

The unaudited pro forma consolidated financial data are presented for informational purposes only and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and accompanying notes included in this prospectus.

Table of Contents

GNC CORPORATION AND SUBSIDIARIES
Unaudited Pro Forma Consolidated Statement of Operations
For the year ended December 31, 2005

Statement of Income Data	Historical 2005	Offering Adjustments 2005	As Adjusted 2005
	(In thousands, except share data)		
Revenues	$ 1,317,708	$	$ 1,317,708
Cost of sales, including costs of warehousing, distribution and occupancy	898,740		898,740
Gross profit	418,968		418,968
Compensation and related benefits	228,626		228,626
Advertising and promotion	44,661		44,661
Other selling, general and administrative	76,532		76,532
Other income	(3,055)		(3,055)
Operating income	72,204		72,204
Interest expense, net	43,078		43,078
Income before income taxes	29,126		29,126
Income tax expense	10,730		10,730
Net income	$ 18,396	$	$ 18,396
Income per share Basic and Diluted:			
Net income	$ 18,396	$	$ 18,396
Cumulative redeemable exchangeable preferred stock dividends and accretion	(14,381)	14,381(1)	
Net income available for common stockholders	$ 4,015	$ 14,381	$ 18,396
Earnings per share			
Basic	$ 0.08		$ 0.31
Diluted	$ 0.08		$ 0.30
Weighted average shares			
Basic	50,605,504	9,391,176(2)	59,996,680
Diluted	51,594,602	9,391,176(2)	60,985,778

(1) Reflects the redemption of our Series A preferred stock from the proceeds of this offering.

(2) Represents the issuance of our common stock in this offering.

Table of Contents

GNC CORPORATION AND SUBSIDIARIES
Unaudited Pro Forma Consolidated Statement of Operations
For the six months ended June 30, 2006

Statement of Income Data	Historical 2006	Offering Adjustments 2006	As Adjusted 2006
	(In thousands, except share data)		
Revenues	$ 769,664	$	$ 769,664
Cost of sales, including costs of warehousing, distribution and occupancy	510,200		510,200
Gross profit	259,464		259,464
Compensation and related benefits	126,469		126,469
Advertising and promotion	30,355		30,355
Other selling, general and administrative	44,561		44,561
Other income	(702)		(702)
Operating income	58,781		58,781
Interest expense, net	19,797		19,797
Income before income taxes	38,984		38,984
Income tax expense	14,463		14,463
Net income	$ 24,521	$	$ 24,521
Income per share Basic and Diluted:			
Net income	$ 24,521	$	$ 24,521
Cumulative redeemable exchangeable preferred stock dividends and accretion	(7,848)	7,848(1)	
Net income available for common stockholders	$ 16,673	$ 7,848	$ 24,521
Earnings per share			
Basic	$ 0.33		$ 0.41
Diluted	$ 0.32		$ 0.40
Weighted average shares			
Basic	50,485,347	9,391,176(2)	59,876,523
Diluted	52,252,720	9,391,176(2)	61,643,896

(1) Reflects the redemption of our Series A preferred stock from the proceeds of this offering.

(2) Represents issuance of our common stock associated with this offering.

Table of Contents

GNC CORPORATION AND SUBSIDIARIES
Unaudited Pro Forma Consolidated Balance Sheet
As of June 30, 2006

	Historical	Offering Adjustments	As Adjusted
	(Unaudited)		
	(In thousands, except share data)		
Current assets:			
Cash and cash equivalents	$ 57,478	$ (23,089) (1)	$ 34,389
Receivables, net of reserve of $6,249	84,973		84,973
Inventories, net	300,047		300,047
Deferred tax assets, net	13,862		13,862
Other current assets	30,096		30,096
Total current assets	486,456	(23,089)	463,367
Long-term assets:			
Goodwill	80,977		80,977
Brands	212,000		212,000
Other intangible assets, net	25,260		25,260
Property, plant and equipment, net	172,276		172,276
Deferred financing fees, net	14,647		14,647
Deferred tax assets, net	45		45
Other long-term assets	7,395		7,395
Total long-term assets	512,600		512,600
Total assets	$ 999,056	$ (23,089)	$ 975,967
Current liabilities:			
Accounts payable, includes cash overdraft of $2,962	$ 90,068	$	$ 90,068
Accrued payroll and related liabilities	25,202		25,202
Accrued income taxes	5,877	(4,070) (5)	1,807
Accrued interest	7,844		7,844
Current portion, long-term debt	2,147		2,147
Other current liabilities	71,333		71,333
Total current liabilities	202,471	(4,070)	198,401
Long-term liabilities:			
Long-term debt	470,192		470,192
Other long-term liabilities	10,952		10,952
Total long-term liabilities	481,144		481,144
Total liabilities	683,615	(4,070)	679,545
Cumulative redeemable exchangeable preferred stock, $0.01 par value, 110,000 shares authorized, 100,000 shares issued and	134,963	(134,963) (2)	

outstanding (liquidation preference of $144,131), actual; no shares authorized or outstanding (liquidation preference of zero), as adjusted			
Stockholders equity:			
Common stock, $0.01 par value, 100,000,000 shares authorized, 50,563,948 shares issued and outstanding, actual; 160,000,000 shares authorized and 59,955,124 shares issued and outstanding as adjusted	506	94(3)	600
Paid-in-capital	129,180	147,751(3)	276,931
Retained earnings	49,612	(31,901) (4)	17,711
Accumulated other comprehensive income	1,180		1,180
Total stockholders equity	180,478	115,944	296,422
Total liabilities and stockholders equity	$ 999,056	$ (23,089)	$ 975,967

31

(1) Reflects the following adjustments related to this offering:

Proceeds from this offering	$ 159,650
Less: estimated offering fees and expenses	(11,805)
Redemption of Series A preferred stock	(134,963)
Series A preferred stock liquidation premium	(8,571)
Discretionary payment for employee and non-employee option holders	(2,400)
Dividend	(25,000)
Total cash effect	$ (23,089)

(2) Reflects the redemption of our Series A preferred stock from the proceeds of this offering.

(3) Reflects the sale by us of 9,391,176 shares of our common stock offered hereby at an assumed initial public offering price of $17.00 per share and the application of the estimated net proceeds to us from this offering, after deducting estimated offering expenses payable by us. See Use of Proceeds, Dividend Policy, and Capitalization.

(4) Reflects payment of the liquidation premium related to the redemption of our Series A preferred stock and related tax effect, payment after completion of the offering and the Series A preferred stock redemption with cash on hand of a dividend totaling $25.0 million to our common stockholders of record before the offering, and discretionary payments at the same time to each of our employee and non-employee option holders immediately before the offering totaling $2.4 million and related tax effect. See Use of Proceeds, Dividend Policy, and Capitalization.

	Pre-tax Amount	Tax (i)	Net of Tax
	(In thousands)		
Dividend	$ (25,000)	$	$ (25,000)
Series A Preferred stock liquidation premium	(8,571)	3,180	(5,391)
Discretionary payment to employee and non-employee option holders	(2,400)	890	(1,510)
Totals	$ (35,971)	$ 4,070	$ (31,901)

(i) Tax rate of 37.1%.

(5) Reflects the payment of the liquidation premium on our Series A preferred stock and the discretionary payments to each of our employee and non-employee option holders and the related tax effects.

	Pre-tax Amount	Tax (i)
	(In thousands)	
Series A Preferred stock liquidation premium	$ (8,571)	$ 3,180
Discretionary payment to employee and non-employee option holders	(2,400)	890

	$	(10,971)	$	4,070

(i) Tax rate of 37.1%.

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below as of and for the years ended December 31, 2001 and 2002 are derived from our audited consolidated financial statements and their notes not included in this prospectus. The selected consolidated financial data presented below for the period ended December 4, 2003, the 27 days ended December 31, 2003, and the years ended December 31, 2004 and 2005 are derived from our audited consolidated financial statements and their notes included in this prospectus. The selected consolidated financial data as of and for the years ended December 31, 2001 and 2002 and the period from January 1, 2003 to December 4, 2003 represent the periods during which General Nutrition Companies, Inc. was owned by Numico.

On December 5, 2003, Centers, our wholly owned subsidiary, acquired 100% of the outstanding equity interests of General Nutrition Companies, Inc. from Numico in a business combination accounted for under the purchase method of accounting. As a result, the financial data presented for 2003 include a predecessor period from January 1, 2003 through December 4, 2003 and a successor period from December 5, 2003 through December 31, 2003. The selected consolidated financial data presented below for (1) the period from January 1, 2003 to December 4, 2003 and as of December 4, 2003 and (2) the 27 days ended December 31, 2003 and as of December 31, 2003 are derived from our audited consolidated financial statements and their notes included in this prospectus. The selected consolidated financial data for the period from January 1, 2003 to December 4, 2003 represent the period in 2003 that General Nutrition Companies, Inc. was owned by Numico. The selected consolidated financial data for the 27 days ended December 31, 2003 represent the period of operations in 2003 after the Numico acquisition.

As a result of the Numico acquisition, the consolidated statements of operations for the successor periods include the following: interest and amortization expense resulting from the senior credit facility and issuance of the senior subordinated notes and the senior notes; amortization of intangible assets related to the Numico acquisition; and management fees that did not exist prior to the Numico acquisition. Further, as a result of purchase accounting, the fair values of our assets on the date of the Numico acquisition became their new cost basis. Results of operations for the successor periods are affected by the new cost basis of these assets.

The selected consolidated financial data presented below as of June 30, 2006 and for the six months ended June 30, 2006 are derived from our unaudited consolidated financial statements and their notes that are incorporated by reference in this prospectus. The selected consolidated financial data presented below as of March 31, 2006 and for the three months ended March 31, 2005 and March 31, 2006 are derived from our unaudited consolidated financial statements and their notes included in this prospectus, and the consolidated financial data as of March 31, 2005 and June 30, 2005 is derived from our unaudited consolidated financial statements and their notes not included in this prospectus, and include, in the opinion of management, all adjustments necessary for a fair statement of our financial position and operating results for those periods and as of those dates. Our results for interim periods are not necessarily indicative of our results for a full year s operations.

You should read the following financial information together with the information under Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and their related notes.

Table of Contents

	Predecessor			Successor						
	Year Ended December 31, 2001	Year Ended December 31, 2002	Period from January 1, 2003 to December 4, 2003	27 Days Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006	Six Months Ended June 30, 2005	Six Months Ended June 30, 2006
							(Unaudited)		(Unaudited)	
	(Dollars in millions, except share data)									
Statement of Income Data:										
Revenues:										
Retail	$ 1,123.1	$ 1,068.6	$ 993.3	$ 66.2	$ 1,001.8	$ 989.4	$ 255.2	$ 294.9	$ 505.5	$ 579.7
Franchising	273.1	256.1	241.3	14.2	226.5	212.8	52.6	60.3	110.4	119.6
Manufacturing/ Wholesale	112.9	100.3	105.6	8.9	116.4	115.5	28.6	31.7	53.9	70.4
Total revenue	1,509.1	1,425.0	1,340.2	89.3	1,344.7	1,317.7	336.4	386.9	669.8	769.7
Cost of sales, including costs of warehousing, distribution and occupancy	1,013.3	969.9	934.9	63.6	895.2	898.7	230.4	256.9	454.2	510.2
Gross profit	495.8	455.1	405.3	25.7	449.5	419.0	106.0	130.0	215.6	259.5
Compensation and related benefits	246.6	245.2	235.0	16.7	230.0	228.6	57.3	65.9	113.5	126.5
Advertising and promotion	41.9	52.1	38.4	0.5	44.0	44.7	14.6	15.8	28.1	30.3
Other selling, general and administrative	140.7	86.0	70.9	5.1	73.8	76.6	18.9	21.0	35.8	42.6
Other (income) expense(1)	(3.4)	(211.3)	(10.1)		1.0	(3.1)	(2.6)	(0.6)	(0.5)	1.3
Impairment of goodwill and intangible assets(2)		222.0	709.4							
Operating income (loss)	70.0	61.1	(638.3)	3.4	100.7	72.2	17.8	27.9	38.7	58.8
Interest expense, net	140.0	136.3	121.1	2.8	34.5	43.1	13.5	9.7	23.3	19.8

Gain on sale of marketable securities		(5.0)								
(Loss) income before income taxes	(70.0)	(70.2)	(759.4)	0.6	66.2	29.1	4.3	18.2	15.4	39.0
Income tax (benefit) expense	(14.1)	1.0	(174.5)	0.2	24.5	10.7	1.6	6.8	5.6	14.5
Net (loss) income before cumulative effect of accounting change	(55.9)	(71.2)	(584.9)	0.4	41.7	18.4	2.7	11.4	9.8	24.5
Loss from cumulative effect of accounting change, net of tax(3)		(889.7)								
Net (loss) income	$ (55.9)	$ (960.9)	$ (584.9)	$ 0.4	$ 41.7	$ 18.4	$ 2.7	$ 11.4	$ 9.8	$ 24.5

	Predecessor			Successor						
	Year Ended ecember 31, 2001	Year Ended December 31, 2002	Period from January 1, 2003 to December 4, 2003	27 Days Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006	Six Months Ended June 30, 2005	Six E Ju
							(Unaudited)		(Unaudite	
	(Dollars in millions, except share data)									
	$ (55.9)	$ (960.9)	$ (584.9)	$ 0.4	$ 41.7	$ 18.4	$ 2.7	$ 11.4	$ 9.8	$
ve e able				(0.9)	(12.7)	(14.4)	(3.4)	(3.8)	(6.9)	
rs	$ (55.9)	$ (960.9)	$ (584.9)	$ (0.5)	$ 29.0	$ 4.0	$ (0.7)	$ 7.6	$ 2.9	$
g s e										

g										
	$ (558,590)	$ (712,360)	$ (5,849,210)	$ (0.01)	$ 0.57	$ 0.08	$ (0.01)	$ 0.15	$ 0.06	$
	$ (558,590)	$ (712,360)	$ (5,849,210)	$ (0.01)	$ 0.57	$ 0.08	$ (0.01)	$ 0.15	$ 0.06	$
e										
g										
		(8,896,210)								
		(8,896,210)								
	$ (558,590)	$ (9,608,570)	$ (5,849,210)	$ (0.01)	$ 0.57	$ 0.08	$ (0.01)	$ 0.15	$ 0.06	$
	$ (558,590)	$ (9,608,570)	$ (5,849,210)	$ (0.01)	$ 0.57	$ 0.08	$ (0.01)	$ 0.15	$ 0.06	$
ng:(4)										
	100	100	100	50,470,299	50,901,187	50,605,504	50,787,606	50,444,262	50,707,887	50
	100	100	100	50,470,299	50,901,187	51,594,602	50,787,606	51,216,749	51,587,027	52
	$ 16.3	$ 38.8	$ 9.4	$ 33.2	$ 85.2	$ 86.0	$ 77.8	$ 44.3	$ 54.9	$
	$ 140.8	$ 153.6	$ 96.2	$ 199.6	$ 282.1	$ 297.0	$ 263.9	$ 265.0	$ 278.1	$
	$ 3,071.8	$ 1,878.3	$ 1,038.1	$ 1,024.9	$ 1,031.3	$ 1,023.8	$ 1,032.2	$ 1,022.2	$ 1,009.9	$
nt										
	$ 1,883.8	$ 1,840.1	$ 1,747.4	$ 514.2	$ 510.4	$ 473.4	$ 474.9	$ 472.8	$ 474.4	$
ve				$ 100.5	$ 112.7	$ 127.1	$ 116.2	$ 131.0	$ 119.7	$
e										
able										

ers																			
$	469.0	$	(493.8)	$	(1,077.1)	$	177.3	$	208.3	$	212.1	$	206.9	$	169.7	$	210.2	$	

35

Table of Contents

	Predecessor					Successor				
	Year Ended December 31, 2001	Year Ended December 31, 2002	Period from January 1, 2003 to December 4, 2003	27 Days Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006	Six Months Ended June 30, 2005	Six Months Ended June 30, 2006
							(Unaudited)		(Unaudited)	
	(Dollars in millions, except share data)									
Other Data:										
Net cash provided by operating activities	$ 75.8	$ 111.0	$ 92.9	$ 4.7	$ 83.5	$ 64.2	$ 35.5	$ 12.5	$ 18.6	$ 33.9
Net cach used in investing activities	$ (48.1)	$ (44.5)	$ (31.5)	$ (740.0)	$ (27.0)	$ (21.5)	$ (4.9)	$ (3.8)	$ (10.0)	$ (9.7)
Net cash (used in) provided by financing activities	$ (21.6)	$ (44.3)	$ (90.8)	$ 759.2	$ (4.5)	$ (41.7)	$ (37.9)	$ (50.4)	$ (38.7)	$ (52.6)
EBITDA(6)	$ 192.0	$ (765.5)	$ (579.2)	$ 5.7	$ 139.5	$ 113.2	$ 27.9	$ 37.5	$ 59.0	$ 77.9
Capital expenditures(7)	$ 29.2	$ 51.9	$ 31.0	$ 1.8	$ 28.3	$ 20.8	$ 4.4	$ 3.7	$ 8.9	$ 9.4
Number of stores (at end of period):										
Company-owned stores(8)	2,960	2,898	2,757	2,748	2,642	2,650	2,644	2,661	2,638	2,655
Franchised stores(8)	1,821	1,909	1,978	2,009	2,036	2,014	2,034	1,996	2,042	1,997
Store-within-a-store locations(8)	780	900	988	988	1,027	1,149	1,043	1,160	1,067	1,183
Same store sales growth:(9)										
Domestic Company-owned	1.7%	(6.6)%	(0.4)%		(4.1)%	(1.5)%	(7.8)%	14.5%	(6.5)%	13.0%
Domestic franchised	2.2%	(3.7)%	(0.6)%		(5.5)%	(5.4)%	(9.0)%	6.8%	(7.3)%	6.4%

(1) Other (income) expense includes foreign currency (gain) loss for all of the periods presented. Other (income) expense for the year ended December 31, 2005, the three months ended March 31, 2005 and the six months ended June 30, 2005 included $2.5 million transaction fee income related to the transfer of our GNC Australian franchise rights to an existing franchisee. Other (income) expense for the year ended December 31, 2004, included a $1.3 million charge for costs related to the preparation of a registration statement for an offering of our

common stock to the public. As that offering was not completed, these costs were expensed. Other (income) expense for the years ended December 31, 2001 and 2002, and the period ended December 4, 2003 includes \$3.6 million, \$214.4 million, and \$7.2 million, respectively, received from legal settlement proceeds that we collected from a raw material pricing settlement.

(2) On January 1, 2002, we adopted SFAS No. 142, which requires that goodwill and other intangible assets with indefinite lives no longer be subject to amortization, but instead are to be tested at least annually for impairment. For the periods ended December 31, 2002 and December 4, 2003, we recognized impairment charges of \$222.0 million (pre-tax) and \$709.4 million (pre-tax), respectively, for goodwill and other intangibles as a result of decreases in expectations regarding growth and profitability; additionally in 2003, the impairment resulted from increased competition from the mass market, negative publicity by the media on certain supplements, and increasing pressure from the FDA on the industry as a whole, each of which were identified in connection with a valuation related to the Numico acquisition.

(3) Upon adoption of SFAS No. 142, we recorded a one-time impairment charge in the first quarter of 2002 of \$889.7 million, net of tax, to reduce the carrying amount of goodwill and other intangibles to their implied fair value.

(4) As a result of the acquisition on December 5, 2003, the predecessor information is not comparable to the successor information.

(5) Working capital represents current assets less current liabilities.

(6) We define EBITDA as net income (loss) before interest expense (net), income tax (benefit) expense, depreciation, and amortization. Management uses EBITDA as a tool to measure operating

Table of Contents

performance of our business. We use EBITDA as one criterion for evaluating our performance relative to our competitors and also as a measurement for the calculation of management incentive compensation. Although we primarily view EBITDA as an operating performance measure, we also consider it to be a useful analytical tool for measuring our liquidity, our leverage capacity, and our ability to service our debt and generate cash for other purposes. We also use EBITDA to determine our compliance with certain covenants in Centers senior credit facility and indentures governing the senior notes and senior subordinated notes. For further information regarding the Company s use of EBITDA to determine compliance with certain financial covenants, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources. The reconciliation of EBITDA as presented below is different than that used for purposes of the covenants under the indentures governing the senior notes and senior subordinated notes. Historically, we have highlighted our use of EBITDA as a liquidity measure and for related purposes, because of our focus on the holders of Centers debt. At the same time, however, management has also internally used EBITDA as a performance measure. EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income, operating income, or any other performance measures derived in accordance with GAAP, or as an alternative to GAAP cash flow from operating activities, as a measure of our profitability or liquidity. Some of the limitations of EBITDA are as follows:

EBITDA does not reflect interest expense or the cash requirement necessary to service interest or principal payments on our debt;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and

although EBITDA is frequently used by securities analysts, lenders, and others in their evaluation of companies, our calculation of EBITDA may differ from other similarly titled measures of other companies, limiting its usefulness as a comparative measure.

We compensate for these limitations by relying primarily on our GAAP results and using EBITDA only supplementally. See our consolidated financial statements included in this prospectus. The following table reconciles EBITDA to net (loss) income as determined in accordance with GAAP for the periods indicated:

	Predecessor			Successor						
	Year Ended December 31, 2001	Year Ended December 31, 2002	Period from January 1, 2003 to December 4, 2003	27 Days Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006	Six Months Ended June 30, 2005	Six Months Ended June 30, 2006
							(Unaudited)		(Unaudited)	
	(Dollars in millions)									
Net (loss) income	$ (55.9)	$ (960.9)	$ (584.9)	$ 0.4	$ 41.7	$ 18.4	$ 2.7	$ 11.4	$ 9.8	$ 24.5
Interest expense, net	140.0	136.3	121.1	2.8	34.5	43.1	13.5	9.7	23.3	19.8
Income tax (benefit)	(14.1)	1.0	(174.5)	0.2	24.5	10.7	1.6	6.8	5.6	14.5

expense										
Depreciation and amortization	122.0	58.1	59.1	2.3	38.8	41.0	10.1	9.6	20.3	19.1
EBITDA(a)	$ 192.0	$ (765.5)	$ (579.2)	$ 5.7	$ 139.5	$ 113.2	$ 27.9	$ 37.5	$ 59.0	$ 77.9

Table of Contents

The following table reconciles net cash provided by operating activities as determined in accordance with GAAP to EBITDA for the periods indicated:

	Predecessor			Successor						
	Year Ended December 31, 2001	Year Ended December 31, 2002	Period from January 1, 2003 to December 4, 2003	27 Days Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006	Six Months Ended June 30, 2005	Six Months Ended June 30, 2006
							(Unaudited)		(Unaudited)	
	(Dollars in millions)									
Net cash provided by operating activities	$ 75.8	$ 111.0	$ 92.9	$ 4.7	$ 83.5	$ 64.2	$ 35.5	$ 12.5	$ 18.6	$ 33.9
Cash paid for interest (excluding deferred financing fees)	145.6	138.0	122.5	0.7	32.7	32.7	2.2	8.6	13.2	20.1
Cash paid for taxes	15.2	30.7	2.5		5.1	2.9	0.3	0.2	2.7	10.9
Increase (decrease) in accounts receivable	1.1	127.3	(59.9)	(2.9)	(5.3)	4.4	0.3	7.4	4.0	16.2
(Decrease) increase in inventory	(71.5)	(22.2)	(29.0)	(3.8)	15.1	23.9	20.9	41.3	30.5	0.6
Decrease (increase) in accounts payable	48.2	(18.8)	3.3	5.3	(3.9)	2.9	(26.2)	(25.8)	1.3	12.5
(Decrease) increase in other assets	(6.9)	(17.2)	4.1	9.7	(16.6)	(12.1)	(6.7)	(2.4)	(12.8)	(4.2)
(Increase) decrease in other liabilities	(15.5)	(7.7)	(6.2)	(8.0)	28.9	(5.7)	1.6	(4.3)	1.5	(12.1)
Loss from cumulative effect of accounting change, net of		(889.7)								

tax										
Impairment of goodwill and intangible assets		(222.0)	(709.4)							
Gain on sale of marketable securities		5.1								
EBITDA(a)	$ 192.0	$ (765.5)	$ (579.2)	$ 5.7	$ 139.5	$ 113.2	$ 27.9	$ 37.5	$ 59.0	$ 77.9

(a) For each of the years ended December 31, 2004 and 2005, EBITDA included an annual management fee paid to Apollo Management V of $1.5 million, which will not be payable subsequent to this offering. For the three months ended March 31, 2006, EBITDA included a $4.8 million discretionary payment to our stock option holders, which was made in conjunction with the restricted payments made to our common stockholders in March 2006, and was recommended to and approved by our board of directors. For the three months ended March 31, 2005 and March 31, 2006, EBITDA included a management fee paid to Apollo Management V of $0.4 million. For the six months ended June 30, 2006, EBITDA included a $4.8 million discretionary payment to our stock option holders, which was made in conjunction with the restricted payments made to our common stockholders in March 2006 and was recommended to and approved by our board of directors. For the six months ended June 30, 2005 and June 30, 2006, EBITDA included a management fee paid to Apollo Management V of $0.8 million.

(7) Capital expenditures for 2002 included approximately $13.9 million incurred in connection with our store reset and upgrade program. For the full year ended December 31, 2003, capital expenditures were $32.8 million.

Table of Contents

(8) The following table summarizes our locations for the periods indicated:

	Predecessor			Successor						
	2001	2002	Period from January 1 2003 to December 4, 2003	27 Days Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006	Six Months Ended June 30, 2005	Six Months Ended June 30, 2006
							(Unaudited)		(Unaudited)	
Company-owned Stores										
Beginning of period	2,842	2,960	2,898	2,757	2,748	2,642	2,642	2,650	2,642	2,650
Store openings(a)	220	117	80	4	82	137	32	40	52	61
Store closings	(102)	(179)	(221)	(13)	(188)	(129)	(30)	(29)	(56)	(56)
End of period	2,960	2,898	2,757	2,748	2,642	2,650	2,644	2,661	2,638	2,655
Franchised Stores										
Domestic										
Beginning of period	1,396	1,364	1,352	1,352	1,355	1,290	1,290	1,156	1,290	1,156
Store openings	137	82	98	5	31	17	3	2	8	2
Store closings	(169)	(94)	(98)	(2)	(96)	(151)	(32)	(35)	(57)	(60)
End of period	1,364	1,352	1,352	1,355	1,290	1,156	1,261	1,123	1,241	1,098
International										
Beginning of period	322	457	557	626	654	746	746	858	746	858
Store openings	154	100	88	28	115	132	34	48	69	82
Store closings	(19)		(19)		(23)	(20)	(7)	(33)	(14)	(41)
End of period	457	557	626	654	746	858	773	873	801	899
Store-within-a-Store Locations										
Beginning of period	544	780	900	988	988	1,027	1,027	1,149	1,027	1,149
Location openings	237	131	93		44	130	17	11	41	34
Location closings	(1)	(11)	(5)		(5)	(8)	(1)		(1)	

End of period	780	900	988	988	1,027	1,149	1,043	1,160	1,067	1,183
Total locations	5,561	5,707	5,723	5,745	5,705	5,813	5,721	5,817	5,747	5,835

(a) Includes re-acquired franchised stores.

(9) Same store sales growth reflects the percentage change in same store sales in the period presented compared to the prior year period. Same store sales are calculated on a daily basis for each store and exclude the net sales of a store for any period if the store was not open during the same period of the prior year. Beginning in the first quarter of 2006, we also included our internet sales, as generated through www.gnc.com and drugstore.com, in our domestic company-owned same store sales calculation. When a store s square footage has been changed as a result of reconfiguration or relocation in the same mall or shopping center, the store continues to be treated as a same store. If, during the period presented, a store was closed, relocated to a different mall or shopping center, or converted to a franchised store or a company-owned store, sales from that store up to and including the closing day or the day immediately preceding the relocation or conversion are included as same store sales as long as the store was open during the same period of the prior year. We exclude from the calculation sales during the period presented from the date of relocation to a different mall or shopping center and from the date of a conversion. In the second quarter of 2006, we modified the calculation method for domestic franchised same store sales consistent with this description, which has been the method historically used for domestic company-owned same store sales. Prior to the second quarter of 2006, we had included in domestic franchised same store sales the sales from franchised stores after relocation to a different mall or shopping center and from former company-owned stores after conversion to franchised stores. The franchised same store sales growth percentages for all prior periods have been adjusted to be consistent with the modified calculation method.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with Selected Consolidated Financial Data and our consolidated financial statements and related notes included in this prospectus. The discussion in this section contains forward-looking statements that involve risks and uncertainties. See Risk Factors included in this prospectus for a discussion of important factors that could cause actual results to differ materially from those described or implied by the forward-looking statements contained herein. Please refer to Special Note Regarding Forward-Looking Statements included in this prospectus.

On December 5, 2003, Centers acquired 100% of the outstanding equity interests of General Nutrition Companies, Inc. from Numico for an aggregate purchase price of $747.4 million, consisting of $733.2 million in cash and the assumption of $14.2 million of mortgage debt. We subsequently received $15.7 million and paid $5.9 million to Numico related to working capital contingent purchase price adjustments. The results of operations and cash flows reflect our predecessor entity, on a carve-out basis, for the period from January 1, 2003 to December 4, 2003. See Basis of Presentation.

Business Overview

We are the largest global specialty retailer of nutritional supplements, which include VMHS, sports nutrition products, diet products, and other wellness products. We derive our revenues principally from product sales through our company-owned stores and www.gnc.com, franchise activities, and sales of products manufactured in our facilities to third parties. We sell products through a worldwide network of more than 5,800 locations operating under the GNC brand name.

Revenues and Operating Performance from Our Business Segments

We measure our operating performance primarily through revenues, which are derived from our three business segments, Retail, Franchise, and Manufacturing/Wholesale, and operating costs, as follows:

Retail revenues are generated by sales to consumers at our company-owned stores and through www.gnc.com. Although we believe that our retail and franchise businesses are not seasonal in nature, historically we have experienced, and expect to continue to experience, a substantial variation in our net sales and operating results from quarter to quarter, with the first half of the year being stronger than the second half of the year. Our industry is projected to grow at an average annual rate of 4% for the next five years due in part to favorable demographics, including an aging U.S. population, rising healthcare costs, and the desire by many to live longer, healthier lives. As a leader in our industry, we expect our retail revenues to grow at or above the projected industry growth rate.

Franchise revenues are generated primarily from:

(1) product sales to our franchisees;

(2) royalties on franchise retail sales; and

(3) franchise fees, which are charged for initial franchise awards, renewals, and transfers of franchises.

Since we do not anticipate the number of our domestic franchised stores to increase significantly, our domestic franchise revenue growth will be generated by royalties on increased franchise retail sales and product sales to our existing franchisees. We expect that the increase in the number of our international franchised stores over the next five years will result in increased initial franchise fees associated with new store openings and increased manufacturing/wholesale revenues from product sales to new franchisees. As franchise trends continue to improve, we also anticipate that franchise revenue from international operations will be driven by increased royalties on franchise retail sales and increased product sales to our franchisees.

Manufacturing/ Wholesale revenues are generated through sales of manufactured products to third parties, generally for third-party private label brands, and the sale of our proprietary and third-party products to and through Rite Aid and drugstore.com. While revenues generated through our strategic alliance with Rite Aid do not represent a substantial component of our business, we believe that sales of our products to and through Rite Aid will continue to grow in accordance with our projected retail revenue growth. Our revenues generated by our manufacturing and wholesale operations are subject to our available manufacturing capacity, and we anticipate that these revenues will remain stable over the next five years. We expect that the decline in sales of our Vitamin E soft-gel products in 2005 due to negative publicity concerning the alleged health risks associated with Vitamin E will not have a significant impact on our manufacturing/ wholesale revenues going forward.

A significant portion of our business infrastructure is comprised of fixed operating costs. Our vertically integrated distribution network and manufacturing capacity can support higher sales volume without adding significant incremental costs. We therefore expect our operating expenses to grow at a lesser rate than our revenues, resulting in significant operating leverage in our business.

The following trends and uncertainties in our industry could positively or negatively affect our operating performance:

volatility in the diet category;

broader consumer awareness of health and wellness issues and rising healthcare costs;

interest in, and demand for, condition-specific products based on scientific research;

significant effects of favorable and unfavorable publicity on consumer demand;

lack of a single product or group of products dominating any one product category;

rapidly evolving consumer preferences and demand for new products; and

costs associated with complying with new and existing governmental regulation.

Executive Overview

In 2005, we undertook a series of strategic initiatives to rebuild the business and to establish a foundation for stronger future performance. These initiatives were implemented in order to reverse declining sales trends, a lack of connectivity with our customers, and deteriorating franchisee relations. In the first quarter of 2006, we continued to focus on these strategies and continued to see favorable results. These initiatives have allowed us to capitalize on our national footprint, brand awareness, and competitive positioning to improve our overall performance. Specifically, we:

introduced a single national pricing structure in order to simplify our pricing approach and improve our customer value perception;

developed and executed a national, more diversified marketing program focused on competitive pricing of key items and reinforcing GNC s well-recognized and dominant brand name among consumers;

overhauled our field organization and store programs to improve our value-added customer shopping experience;

focused our merchandising and marketing initiatives on driving increased traffic to our store locations, particularly with promotional events outside of Gold Card week;

improved supply chain and inventory management, resulting in better in-stock levels of products generally and never out levels of top products;

reinvigorated our proprietary new product development activities;

revitalized vendor relationships, including their new product development activities and our exclusive or first-to-market access to new products;

realigned our franchise system with our corporate strategies and re-acquired or closed unprofitable or non-compliant franchised stores in order to improve the financial performance of the franchise system;

reduced our overhead cost structure; and

launched internet sales of our products on www.gnc.com.

These and other strategies implemented in 2005 led to a reversal of the negative trends of the business. Domestic same store sales improved with each successive quarter of the year, culminating with an 8.1% increase in company-owned stores in the fourth quarter of 2005. In the first quarter of 2006, domestic same store sales increased 14.5%. We also realized steady improvement in our product categories, highlighted by particular strength in the sports nutrition and VMHS categories. During the latter part of 2005 we began to see a stabilizing diet category and, in the first quarter of 2006, we saw substantial improvement in the category compared to 2005. We anticipate that these positive trends in our business will continue in the future given that we believe they are the result of underlying changes to our business model implemented by our strategic initiatives.

Basis of Presentation

Purchase Accounting

We accounted for the Numico acquisition under the purchase method of accounting. As a result, the financial data presented for 2003 include a predecessor period from January 1, 2003 through December 4, 2003 and a successor period for the 27 days ended December 31, 2003. As a result of the Numico acquisition, the consolidated statements of operations for the successor periods include: interest and amortization expense resulting from Centers credit facility and the issuance of Centers senior notes and senior subordinated notes; amortization of intangible assets related to the Numico acquisition; and management fees that did not exist prior to the Numico acquisition. Further, as a result of purchase accounting, the fair values of our assets on the date of the Numico acquisition became their new cost basis. Results of operations for the successor periods are affected by the new cost basis of these assets. We allocated the Numico acquisition consideration to the tangible and intangible assets acquired and liabilities assumed by us based upon their respective fair values as of the date of the Numico acquisition, which resulted in a significant change in our annual depreciation and amortization expenses.

The financial statements for the periods prior to the Numico acquisition are labeled as Predecessor, and the periods subsequent to the Numico acquisition are labeled as Successor.

Successor. Our financial statements for the 27 days ended December 31, 2003, for the years ended December 31, 2004 and 2005, and the three months ended March 31, 2005 and 2006 include the accounts of GNC and our wholly owned subsidiaries. Included in this period are fair value adjustments to assets and liabilities, including inventory, goodwill, other intangible assets, and property, plant and equipment. Also included is the corresponding effect these adjustments had on cost of sales, depreciation, and amortization expenses.

Predecessor. For the period from January 1, 2003 to December 4, 2003, the consolidated financial statements of General Nutrition Companies, Inc. were prepared on a carve-out basis and reflect the consolidated financial position, results of operations, and cash flows in accordance with GAAP. The financial statements for this period reflected amounts that were pushed down from Nutricia and Numico in order to depict the financial position, results of operations, and cash flows of General Nutrition Companies, Inc. based on these carve-out principles. In conjunction with the sale of General Nutrition Companies, Inc. to Centers, all related-party term debt was settled in full. As a result of recording these amounts, the financial statements of General Nutrition Companies, Inc. for the period from January 1,

Table of Contents

2003 to December 4, 2003 may not be indicative of the results that would be presented if General Nutrition Companies, Inc. had operated as an independent, stand-alone entity.

Related Parties

In the years ended December 31, 2005 and 2004, GNC had related party transactions with Apollo Management V and its affiliates. General Nutrition Companies, Inc. had related party transactions with Numico and other affiliates during the period January 1, 2003 to December 4, 2003. For further discussion of these transactions, see Certain Relationships and Related Transactions and the Related Party Transactions note to our consolidated financial statements included in this prospectus.

Results of Operations

The information presented below for the three months ended March 31, 2006 and 2005 was derived from our unaudited consolidated financial statements and accompanying notes. The information presented below for the years ended December 31, 2005 and 2004, the 27 days ended December 31, 2003, and the period January 1, 2003 to December 4, 2003, was derived from our audited consolidated financial statements and accompanying notes. In the table below and in the accompanying discussion, the 27 days ended December 31, 2003 and the period January 1, 2003 to December 4, 2003 have been combined for discussion purposes.

As discussed in the Segment note to our consolidated financial statements, we evaluate segment operating results based on several indicators. The primary key performance indicators are revenues and operating income or loss for each segment. Revenues and operating income or loss, as evaluated by management, exclude certain items that are managed at the consolidated level, such as warehousing and transportation costs, impairments, and other corporate costs. The following discussion compares the revenues and the operating income or loss by segment, as well as those items excluded from the segment totals.

Same store sales growth reflects the percentage change in same store sales in the period presented compared to the prior year period. Same store sales are calculated on a daily basis for each store and exclude the net sales of a store for any period if the store was not open during the same period of the prior year. Beginning in the first quarter of 2006, we also included our internet sales, as generated through www.gnc.com and drugstore.com, in our domestic company-owned same store sales calculation. When a store s square footage has been changed as a result of reconfiguration or relocation in the same mall or shopping center, the store continues to be treated as a same store. If, during the period presented, a store was closed, relocated to a different mall or shopping center, or converted to a franchised store or a company-owned store, sales from that store up to and including the closing day or the day immediately preceding the relocation or conversion are included as same store sales as long as the store was open during the same period of the prior year. We exclude from the calculation sales during the period presented from the date of relocation to a different mall or shopping center and from the date of a conversion. In the second quarter of 2006, we modified the calculation method for domestic franchised same store sales consistent with this description, which has been the method historically used for domestic company-owned same store sales. Prior to the second quarter of 2006, we had included in domestic franchised same store sales the sale from franchised stores after relocation to a different mall or shopping center and from former company-owned stores after conversion to franchised stores. The franchised same store sales growth percentages for all prior periods have been adjusted to be consistent with the modified calculation method.

Table of Contents

Results of Operations and Comprehensive Income

	Predecessor		Successor		Combined		Successor				Succes	
											Three Months En	
	Period Ended December 4, 2003		27 days Ended December 31, 2003		Year Ended December 31, 2003		Year Ended December 31, 2004		Year Ended December 31, 2005		2005	
											(Unaudi	
	(Dollars in millions and percentages expressed as a percentage of total net revenues)											
	$ 993.3	74.1%	$ 66.2	74.1%	$ 1,059.5	74.1%	$ 1,001.8	74.5%	$ 989.4	75.1%	$ 255.2	75.9%
	241.3	18.0%	14.2	15.9%	255.5	17.9%	226.5	16.8%	212.8	16.1%	52.6	15.6%
olesale	105.6	7.9%	8.9	10.0%	114.5	8.0%	116.4	8.7%	115.5	8.8%	28.6	8.5%
s	1,340.2	100.0%	89.3	100.0%	1,429.5	100.0%	1,344.7	100.0%	1,317.7	100.0%	336.4	100.0%
es:												
ding ng,	934.9	69.7%	63.6	71.2%	998.5	69.9%	895.2	66.5%	898.7	68.2%	230.4	68.5%
related	235.0	17.5%	16.7	18.7%	251.7	17.6%	230.0	17.1%	228.6	17.3%	57.3	17.0%
	38.4	2.9%	0.5	0.6%	38.9	2.7%	44.0	3.3%	44.7	3.4%	14.6	4.3%
ral and enses	64.1	4.8%	4.8	5.4%	68.9	4.8%	69.8	5.2%	72.6	5.5%	17.9	5.3%
nse	6.8	0.5%	0.3	0.3%	7.1	0.5%	4.0	0.3%	4.0	0.3%	1.0	0.3%
	(7.2)	(0.5)%			(7.2)	(0.5)%						
ain	(2.9)	(0.2)%			(2.9)	(0.2)%	(0.3)	0.0%	(0.6)	0.0%	(0.1)	0.0%
dwill ts	709.4	52.9%			709.4	49.6%						
ome)							1.3	0.1%	(2.5)	(0.2)%	(2.5)	(0.7)%
xpenses	1,978.5	147.6%	85.9	96.2%	2,064.4	144.4%	1,244.0	92.5%	1,245.5	94.5%	318.6	94.7%
ncome:												
	79.1	5.9%	6.6	7.3%	85.7	6.0%	107.7	8.0%	77.2	5.9%	17.9	5.3%
	63.7	4.8%	2.4	2.7%	66.1	4.6%	62.4	4.6%	52.0	3.9%	10.8	3.2%
holesale	24.3	1.8%	1.4	1.6%	25.7	1.8%	38.6	2.9%	46.0	3.5%	12.1	3.6%
ate and e:												
	(40.7)	(3.0)%	(3.4)	(3.8)%	(44.1)	(3.1)%	(49.3)	(3.7)%	(50.0)	(3.8)%	(12.7)	(3.7)%
	(62.5)	(4.7)%	(3.6)	(4.0)%	(66.1)	(4.6)%	(57.4)	(4.2)%	(55.5)	(4.2)%	(12.8)	(3.8)%
	7.2	0.5%			7.2	0.5%						

dwill ts	(709.4)	(52.9)%			(709.4)	(49.6)%						
come							(1.3)	(0.1)%	2.5	0.2%	2.5	0.7%
d r costs,	(805.4)	(60.1)%	(7.0)	(7.8)%	(812.4)	(56.8)%	(108.0)	(8.0)%	(103.0)	(7.8)%	(23.0)	(6.8)%
oss)	(638.3)	(47.6)%	3.4	3.8%	(634.9)	(44.4)%	100.7	7.5%	72.2	5.5%	17.8	5.3%
et	121.1		2.8		123.9		34.5		43.1		13.5	
ore	(759.4)		0.6		(758.8)		66.2		29.1		4.3	
t)	(174.5)		0.2		(174.3)		24.5		10.7		1.6	
	(584.9)		0.4		(584.5)		41.7		18.4		$ 2.7	
ve	1.6		0.3		1.9		0.9		0.1		(0.2)	
ss)	$ (583.3)		$ 0.7		$ (582.6)		$ 42.6		$ 18.5		$ 2.5	

Note: The numbers in the above table have been rounded to millions. All calculations related to the Results of Operations for the period-to-period comparisons below were derived from the table above and could occasionally differ immaterially if you were to use the unrounded data for these calculations.

Table of Contents

Comparison of the Three Months Ended March 31, 2006 and 2005

Revenues

Our consolidated net revenues increased $50.5 million, or 15.0%, to $386.9 million for the three months ended March 31, 2006 compared to $336.4 million for the same period in 2005. The increase was primarily the result of increased same store sales in our Retail and Franchise segments and increased revenue in our Manufacturing/ Wholesale segment due to a higher demand from our third-party customers for certain soft-gelatin products.

Retail. Revenues in our Retail segment increased $39.7 million, or 15.6%, to $294.9 million for the three months ended March 31, 2006 compared to $255.2 million for the same period in 2005. Included as part of the revenue increase was $3.8 million in revenue for sales through www.gnc.com, which started selling products on December 28, 2005. Sales increases occurred in all major product categories, including VMHS, sports nutrition, and diet. Our domestic company-owned same store sales, including our internet sales, which together represent approximately 96% and 98% of our total domestic store sales for the three months ended March 31, 2006 and 2005, respectively, improved for the quarter by 14.5%. Corporate store sales reflect the benefit of an extra day compared with the first quarter of 2005 due to the Easter holiday occurring in March of 2005. This effect added 0.6% to the corporate same store growth.

Similar to the sales trends in our domestic company-owned stores, our Canadian company-owned stores had improved same store sales of 16.6% in the first quarter of 2006. Our company-owned store base increased by 20 stores to 2,529 domestically, and our Canadian store base declined by three stores to 132 at March 31, 2006 compared to March 31, 2005. Approximately 99% of our total Canadian store sales are included in the same store sales calculation.

Franchise. Revenues in our Franchise segment increased $7.7 million, or 14.6%, to $60.3 million for the three months ended March 31, 2006 compared to $52.6 million for the same period in 2005. This improvement in revenue resulted primarily from increased wholesale product sales to the domestic franchisees of $6.8 million and $0.8 million to the international franchisees, and an increase in other revenue of $0.1 million. Our domestic franchised stores recognized improved retail sales for the three months ended March 31, 2006, as evidenced by an increase in same store sales for these stores of 6.8%. Franchised store sales reflect the benefit of an extra day compared with the first quarter of 2005 due to the Easter holiday occurring in March in 2005. This effect added 0.6% to the franchise same store growth. Our domestic franchised store base declined by 138 stores to 1,123 at March 31, 2006, from 1,261 at March 31, 2005, primarily as the result of our acquisition of 101 franchised stores in 2005 and 27 franchised stores in the first quarter of 2006. Our international franchised store base increased by 100 stores to 873 at March 31, 2006 compared to 773 at March 31, 2005.

Manufacturing/ Wholesale. Revenues in our Manufacturing/ Wholesale segment, which includes third-party sales from our manufacturing facilities in South Carolina and Australia, as well as wholesale sales to Rite Aid and drugstore.com, increased $3.1 million, or 10.8%, to $31.7 million for the three months ended March 31, 2006 compared to $28.6 million for the same period in 2005. This increase occurred primarily in the Greenville, South Carolina plant, which had an increase of $2.3 million, principally as a result of increased sales of soft-gelatin products. We also had an increase of $1.1 million in sales to Rite Aid. These increases were partially offset by decreased sales to drugstore.com of $0.3 million.

Cost of Sales

Consolidated cost of sales, which includes product costs, costs of warehousing and distribution, and occupancy costs, increased $26.5 million, or 11.5%, to $256.9 million for the three months ended March 31, 2006 compared to $230.4 million for the same period in 2005. Consolidated cost of sales, as a percentage of net revenue, were 66.4% for the three months ended March 31, 2006 compared to 68.5% for the first quarter of 2005.

Product costs. Product costs increased $24.4 million, or 14.4%, to $194.1 million for the three months ended March 31, 2006 compared to $169.7 million for the same period in 2005. This increase was primarily due to increased sales volumes at our retail stores. Consolidated product costs, as a percentage of net revenue, were 50.2% for the three months ended March 31, 2006 compared to 50.4% for the first quarter of 2005. This improvement was due primarily to increased volume in our Retail segment, which carries a higher margin than the Franchise and Manufacturing/ Wholesale segments.

Warehousing and distribution costs. Warehousing and distribution costs increased $0.3 million, or 2.3%, to $13.3 million for the three months ended March 31, 2006 compared to $13.0 million for the same period in 2005. This increase was primarily a result of increased fuel costs that affected our private fleet, as well as the cost of outside carriers, offset by cost savings in wages, benefits, and other warehousing costs. Consolidated warehousing and distribution costs, as a percentage of net revenue, were 3.4% for the three months ended March 31, 2006 compared to 3.9% for the first quarter of 2005.

Occupancy costs. Occupancy costs increased $1.8 million, or 3.8%, to $49.5 million for the three months ended March 31, 2006 compared to $47.7 million for the same period in 2005. This increase was the result of higher lease-related costs of $1.8 million. Consolidated occupancy costs, as a percentage of net revenue, were 12.8% for the three months ended March 31, 2006 compared to 14.2% for the first quarter of 2005.

Selling, General and Administrative Expenses

Our consolidated SG&A expenses, which include compensation and related benefits, advertising and promotion expense, other selling, general and administrative expenses, and amortization expense, increased $11.9 million, or 13.1%, to $102.7 million, for the three months ended March 31, 2006 compared to $90.8 million for the same period in 2005. These expenses, as a percentage of net revenue, were 26.6% for the three months ended March 31, 2006 compared to 27.0% for the first quarter of 2005.

Compensation and related benefits. Compensation and related benefits increased $8.6 million, or 15.0%, to $65.9 million for the three months ended March 31, 2006 compared to $57.3 million for the same period in 2005. The increase was the result of increases in: (1) incentives and commission expense of $7.3 million, a portion of which related to a discretionary payment to employee stock option holders of $4.2 million and accruals for incentive payments of $2.7 million; (2) base wage expense, primarily in our retail stores for part-time wages to support the increased sales volumes, of $1.1 million; and (3) non-cash compensation expense of $0.6 million. These increases were partially offset by decreased severance costs of $0.5 million.

Advertising and promotion. Advertising and promotion expenses increased $1.2 million, or 8.2%, to $15.8 million for the three months ended March 31, 2006 compared to $14.6 million during the same period in 2005. Advertising expense increased as a result of an increase in print and television advertising of $1.8 million, offset by decreases in other advertising-related expenses of $0.6 million.

Other SG&A. Other SG&A expenses, including amortization expense, increased $2.1 million, or 11.1%, to $21.0 million for the three months ended March 31, 2006 compared to $18.9 million for the same period in 2005. This increase was due to the following: (1) increases in professional expenses of $1.9 million, a portion of which related to a discretionary payment made to our non-employee option holders of $0.6 million; (2) increases in fulfillment fee expense on our internet sales through www.gnc.com of $1.0 million; (3) an increase in credit card fees of $0.6 million; and (4) an increase in other SG&A expenses of $0.3 million. These were partially offset by a $1.8 million decrease in bad debt expense.

Foreign Currency Gain

We recognized a consolidated foreign currency gain of $0.6 million in the three months ended March 31, 2006 compared to a gain of $0.1 million for the same period in 2005. These gains resulted primarily from accounts payable activity with our Canadian subsidiary.

Table of Contents

Other Income and Expense

Other income for the three months ended March 31, 2005 includes a transaction fee of $2.5 million, which was the recognition of transaction fee income related to the transfer of our Australian franchise rights.

Operating Income

As a result of the foregoing, consolidated operating income increased $10.1 million, or 56.7%, to $27.9 million for the three months ended March 31, 2006 compared to $17.8 million for the same period in 2005. Operating income, as a percentage of net revenue, was 7.2% for the three months ended March 31, 2006 compared to 5.3% for the first quarter of 2005.

Retail. Operating income increased $17.4 million, or 97.2%, to $35.3 million for the three months ended March 31, 2006 compared to $17.9 million for the same period in 2005. The primary reason for the increase was increased sales and margin in all of our product categories.

Franchise. Operating income increased $5.3 million, or 49.1%, to $16.1 million for the three months ended March 31, 2006 compared to $10.8 million for the same period in 2005. This increase was primarily attributable to an increase in wholesale sales to our franchisees, despite a reduced number of domestic franchisees, and a reduction in bad debt expense.

Manufacturing/ Wholesale. Operating income decreased $0.9 million, or 7.4%, to $11.2 million for the three months ended March 31, 2006 compared to $12.1 million for the same period in 2005. This decrease was primarily the result of a decrease in favorable manufacturing variances at our South Carolina facility when compared with the prior year, as production at the plant was at a high point in the prior year. Currently production at our South Carolina facility is now more evenly allocated throughout the year.

Warehousing and distribution costs. Unallocated warehousing and distribution costs increased $0.1 million, or 0.8%, to $12.8 million for the three months ended March 31, 2006 compared to $12.7 million for the same period in 2005. This increase was primarily a result of increased fuel costs, offset by reduced wages and other operating expenses in our distribution centers.

Corporate costs. Corporate overhead cost increased $9.1 million, or 71.1%, to $21.9 million for the three months ended March 31, 2006 compared to $12.8 million for the same period in 2005. This increase was primarily the result of the discretionary payment made to stock option holders in 2006, increases in incentive accrual expense, and increased other professional fees.

Other. Other income for the three months ended March 31, 2005 was $2.5 million, which was the recognition of transaction fee income related to the transfer of our Australian franchise rights.

Interest Expense

Interest expense decreased $3.8 million, or 28.1%, to $9.7 million for the three months ended March 31, 2006 compared to $13.5 million for the same period in 2005. This decrease was primarily attributable to the write-off of $3.9 million of deferred financing fees in the first quarter of 2005 resulting from the early extinguishment of debt.

Income Tax Expense

We recognized $6.8 million of consolidated income tax expense during the three months ended March 31, 2006 compared to $1.6 million for the same period of 2005. The increased tax expense for the three months ended March 31, 2006 was the result of an increase in income before income taxes of $13.9 million. The effective tax rate for the three months ended March 31, 2006 was 37.1% compared to 36.1% for the same period in 2005. The increase in the effective tax rate was primarily related to changes in the amounts of various permanent differences.

Table of Contents

Net Income

As a result of the foregoing, consolidated net income increased $8.7 million, or 317.9%, to $11.4 million for the three months ended March 31, 2006 compared to $2.7 million for the same period in 2005. Net income, as a percentage of net revenue, was 2.9% for the three months ended March 31, 2006 compared to 0.8% for the first quarter of 2005.

Comparison of the Years Ended December 31, 2005 and 2004

Revenues

Our consolidated net revenues decreased $27.0 million, or 2.0%, to $1,317.7 million for the year ended December 31, 2005 compared to $1,344.7 million for the same period in 2004. The decrease was primarily the result of decreased same store sales in our Retail and Franchise segments, a reduced domestic franchised store base and decreased revenue in our manufacturing segment due to declining demand for Vitamin E soft-gel products.

Retail. Revenues in our Retail segment decreased $12.4 million, or 1.2%, to $989.4 million for the year ended December 31, 2005 compared to $1,001.8 million for the same period in 2004. The revenue decrease occurred primarily in our diet category and was partially offset by increases in our sports nutrition and VMHS categories. The diet category experienced sales declines each quarter in 2005, with the first three quarters showing significant declines as a result of reduced demand for low-carb products. The fourth quarter diet sales, while remaining less than 2004, improved as a result of new product introductions. Our domestic company-owned same store sales improved each successive quarter during 2005, from a decline of 7.8% in the first quarter to an increase of 8.1% in the fourth quarter. For the total year 2005, our same store sales declined 1.5%. Approximately 97% and 98% of our total domestic retail sales for the years ended December 31, 2005 and 2004, respectively, are included in the same store sales calculation. Our Canadian company-owned stores had similar trends in sales as our domestic company-owned stores, declining 11.0% in the first half of 2005 and increasing 0.3% in the second half of 2005. Our company-owned store base increased by 10 stores to 2,517 domestically, and declined by two stores to 133 in Canada at December 31, 2005.

Franchise. Revenues in our Franchise segment decreased $13.7 million, or 6.0%, to $212.8 million for the year ended December 31, 2005 compared to $226.5 million for the same period in 2004. Our domestic franchised stores recognized lower retail sales for the year ended December 31, 2005, as evidenced by a decline in 2005 same store sales for these stores of 5.4%. This decline in retail sales resulted in decreased wholesale product sales to the franchisees of $11.0 million and a decrease in franchise royalty revenue of $1.1 million. Additionally, other franchise revenue decreased by $1.6 million. Our domestic franchised store base declined by 134 stores to 1,156 stores at December 31, 2005, from 1,290 stores at December 31, 2004, primarily as the result of our acquisition of 101 franchised stores in 2005. Our international franchised store base increased by 112 stores to 858 stores at December 31, 2005 compared to 746 stores at December 31, 2004. Our international franchisees pay a lower royalty rate and purchase fewer products from us than domestic franchisees.

Manufacturing/ Wholesale. Revenues in our Manufacturing/ Wholesale segment, which includes third-party sales from our manufacturing facilities in South Carolina and Australia, as well as wholesale sales to Rite Aid and drugstore.com, decreased $0.9 million, or 0.8%, to $115.5 million for the year ended December 31, 2005 compared to $116.4 million for the same period in 2004. This decrease occurred primarily in the Greenville, South Carolina plant, which had a decrease of $4.7 million as a result of declining demand for Vitamin E soft-gel products from third-party customers and a decrease in third-party sales at our Australian manufacturing facility of $0.5 million. These decreases were partially offset by increased sales to Rite Aid of $1.9 million and to drugstore.com of $2.4 million.

Cost of Sales

Consolidated cost of sales, which includes product costs, costs of warehousing, and distribution and occupancy costs, increased $3.5 million, or 0.4%, to $898.7 million for the year ended December 31, 2005 compared to $895.2 million for 2004. Consolidated cost of sales, as a percentage of net revenue, were 68.2% for the year ended December 31, 2005 compared to 66.5% for 2004.

Product costs. Product costs decreased $1.4 million, or 0.2%, to $655.7 million for the year ended December 31, 2005 compared to $657.1 million for 2004. Consolidated product costs, as a percentage of net revenue, were 49.8% for the year ended December 31, 2005 compared to 48.8% for 2004. This increase, as a percentage of net revenue, was the result of increased promotional pricing in our retail segment and increased discounts provided to our franchisees on wholesale sales in our franchise segment. Our vendors partially offset this increase by providing reductions in product costs for their products that were promotionally priced.

Warehousing and distribution costs. Warehousing and distribution costs increased $0.6 million, or 1.2%, to $51.4 million for the year ended December 31, 2005 compared to $50.8 million for 2004. This increase was primarily a result of increased fuel costs that affected our private fleet, as well as the cost of outside carriers, offset by efficiency cost savings in wages and other warehousing costs. Consolidated warehousing and distribution costs, as a percentage of net revenue, were 3.9% for the year ended December 31, 2005 compared to 3.8% for 2004.

Occupancy costs. Occupancy costs increased $4.3 million, or 2.3%, to $191.6 million for the year ended December 31, 2005 compared to $187.3 million for 2004. This increase was the result of increased store rental costs of $2.7 million and increased other occupancy costs including depreciation of $1.6 million. Consolidated occupancy costs, as a percentage of net revenue, were 14.5% for the year ended December 31, 2005 compared to 13.9% for 2004.

Selling, General and Administrative Expenses

Our consolidated SG&A expenses, which include compensation and related benefits, advertising and promotion expense, other selling, general and administrative expenses, and amortization expense, increased $2.1 million, or 0.6%, to $349.9 million, for the year ended December 31, 2005 compared to $347.8 million for the same period in 2004. These expenses, as a percentage of net revenue, were 26.6% for the year ended December 31, 2005 compared to 25.9% for 2004.

Compensation and related benefits. Compensation and related benefits decreased $1.4 million, or 0.6%, to $228.6 million for the year ended December 31, 2005 compared to $230.0 million for 2004. The decrease was the result of decreases in: (1) incentives and commission expense of $2.3 million; (2) 401(k) company paid matching expense of $1.1 million; and (3) other wage-related expense of $0.4 million. The decreases were offset by increases in base wage expense, primarily in our retail stores, of $1.8 million and non-cash compensation expense of $0.6 million.

Advertising and promotion. Advertising and promotion expenses increased $0.7 million, or 1.6%, to $44.7 million for the year ended December 31, 2005 compared to $44.0 million during 2004. Advertising expense increased as a result of an increase in product-specific television advertising of $7.0 million and reduction of franchisee advertising contributions of $1.2 million, offset by decreases in: (1) print advertising of $3.1 million; (2) general marketing costs of $2.9 million; (3) store signage and merchandising costs of $1.0 million; and (4) other advertising related expenses of $0.5 million.

Other SG&A. Other SG&A expenses, including amortization expense, increased $2.8 million, or 3.8%, to $76.6 million for the year ended December 31, 2005 compared to $73.8 million for 2004. This increase was due to (1) legal costs for a proposed class action settlement for certain products related to a third-party vendor of $1.9 million; (2) increases in commission expense on our consigned inventory sales of $1.1 million; (3) increases in other professional expenses of $0.9 million; and (4) a $1.3 million increase in various other SG&A costs. These increases were partially offset by a $1.2 million gain for our

Table of Contents

expected portion of the proceeds from the Visa/ MasterCard antitrust litigation settlement and a decrease in general insurance expense of $1.2 million.

Foreign Currency Gain

We recognized a consolidated foreign currency gain of $0.6 million for the year ended December 31, 2005 compared to $0.3 million for the year ended December 31, 2004. This gain resulted primarily from accounts payable activity with our Canadian subsidiary.

Other Income and Expense

Other income for the year ended December 31, 2005 includes a transaction fee of $2.5 million, which was recognized for the transfer of our Australian franchise business. For 2004, we incurred a $1.3 million charge for costs related to our preparation of a registration statement to be used in connection with a proposed offering of our common stock to the public. As that offering was not completed, these costs were expensed.

Operating Income

As a result of the foregoing, operating income decreased $28.5 million, or 28.3%, to $72.2 million for the year ended December 31, 2005 compared to $100.7 million for 2004. Operating income, as a percentage of net revenue, was 5.5% for the year ended December 31, 2005 compared to 7.5% for 2004.

Retail. Operating income decreased $30.5 million, or 28.3%, to $77.2 million for the year ended December 31, 2005 compared to $107.7 million for 2004. The primary reason for the decrease was lower retail margin, due to lower diet sales and increased promotional retail pricing.

Franchise. Operating income decreased $10.4 million, or 16.7%, to $52.0 million for the year ended December 31, 2005 compared to $62.4 million for 2004. This decrease is primarily attributable to a decrease in wholesale sales and margin, due to increases in discounts provided to our franchisees on wholesale sales and a reduced number of operating franchisees domestically.

Manufacturing/ Wholesale. Operating income increased $7.4 million, or 19.2%, to $46.0 million for the year ended December 31, 2005 compared to $38.6 million for 2004. This increase was primarily the result of an increase in license and other fee revenue from Rite Aid, increased wholesale sales volumes to drugstore.com, improved margins on third-party manufacturing sales, and increased manufacturing efficiencies at our South Carolina manufacturing facility.

Warehousing and distribution costs. Unallocated warehousing and distribution costs increased $0.7 million, or 1.4%, to $50.0 million for the year ended December 31, 2005 compared to $49.3 million for 2004. This increase was primarily a result of increased fuel costs, partially offset by reduced wages and other operating expenses in our distribution centers.

Corporate costs. Corporate overhead cost decreased $1.9 million, or 3.3%, to $55.5 million for the year ended December 31, 2005 compared to $57.4 million for 2004. This decrease was primarily the result of the recognition of a $1.2 million gain for our expected portion of the proceeds from the Visa/ MasterCard antitrust litigation settlement and a decrease in our insurance expense, offset by the recognition of $1.9 million in legal costs for a proposed class action settlement for certain products related to a third-party vendor and increases in other professional fees.

Other. Other income for the year ended December 31, 2005 was $2.5 million, which represented the recognition of transaction fee income related to the transfer of our Australian franchise rights. For 2004, we incurred a $1.3 million charge for costs related to the preparation of a SEC filing to offer common stock to the public. As that offering was not completed, these costs were expensed.

Table of Contents

Interest Expense

Interest expense increased $8.6 million, or 24.9%, to $43.1 million for the year ended December 31, 2005 compared to $34.5 million for 2004. This increase was primarily attributable to the write-off of $3.9 million of deferred financing fees, a result of the refinancing of our variable interest rate bank debt, which was replaced with $150.0 million of fixed interest rate senior notes in January 2005.

Income Tax Expense

We recognized $10.7 million of consolidated income tax expense during the year ended December 31, 2005 compared to $24.5 million for 2004. The decreased tax expense for the year ended December 31, 2005, was a result of a decrease in income before income taxes of $37.1 million. The effective tax rate for the year ended December 31, 2005 was 36.8% compared to 37.0% for the year ended December 31, 2004.

Net Income

As a result of the foregoing, consolidated net income decreased $23.3 million to $18.4 million for the year ended December 31, 2005 compared to $41.7 million for 2004. Net income, as a percentage of net revenue, was 1.4% for the year ended December 31, 2005 compared to 3.1% for 2004.

Other Comprehensive Income

We recognized $0.1 million of foreign currency gain for the year ended December 31, 2005 compared to $0.9 million for 2004. The amounts recognized in each period resulted from foreign currency translation adjustments related to the investment in and receivables due from our Canadian and Australian subsidiaries.

Comparison of the Years Ended December 31, 2004 and 2003

Revenues

Our consolidated net revenues decreased $84.8 million, or 5.9%, to $1,344.7 million for the year ended December 31, 2004 compared to $1,429.5 million for the same period in 2003. The decrease was the result of decreases in our Retail and Franchise segments, offset by slight increases in our Manufacturing/ Wholesale segment.

Retail. Revenues in our Retail segment decreased $57.7 million, or 5.4%, to $1,001.8 million for the year ended December 31, 2004 compared to $1,059.5 million for the same period in 2003. The revenue decrease occurred primarily in our diet category and, to a lesser extent, the sports nutrition category. The diet category experienced a sharp drop in sales from 2003 primarily due to (1) the discontinuation in June 2003 of sales of products containing ephedra and (2) a decrease in sales of low carb products. Sales from ephedra products were $35.2 million for the year ended December 31, 2003. This decrease was offset partially by the first quarter of 2004 sales of low-carb products and diet products intended to replace the ephedra products. However, beginning in the second quarter of 2004 and continuing for the remainder of 2004, sales of low-carb products decreased significantly from the prior year. Beginning in the second quarter of 2004, and especially for the second half of 2004, our sports nutrition category experienced a decrease in sales of meal replacement bars. We believe that these decreases are largely a result of low-carb products and meal replacement bars having become more readily available in the marketplace since the prior year. Additionally, overall retail sales declined as a result of operating 2,642 company-owned stores as of December 2004 versus 2,748 as of December 2003. Our store base declined primarily as a result of a store rationalization plan developed in conjunction with the Numico acquisition. This plan identified underperforming stores, the majority of which were closed during the year. Same store sales in company-owned domestic stores declined 4.1% for the year ended December 31, 2004 compared with the same period in 2003. Approximately 98% and 95% of our total domestic retail sales for the years ended December 31, 2004 and 2003, respectively, are included in the same store sales calculation. Same store sales in company-owned Canadian stores improved 3.6% for the year ended December 31, 2004 compared with the same period in 2003.

Franchise. Revenues in our Franchise segment decreased $29.0 million, or 11.4%, to $226.5 million for 2004 compared to $255.5 million for the same period in 2003. These decreases were the result of: (1) a decrease in wholesale product sales to franchisees of $17.2 million, which was the result of lower retail sales at our franchised stores, as our franchised stores had similar decreases in sales of diet products as our company-owned stores; (2) the Company s decision to limit sales of company-owned stores to franchisees which resulted in a decline of $9.5 million, as there were nine such sales in 2004 compared with 65 in 2003; (3) a decrease in franchise fee revenue of $1.2 million; and (4) a decrease in other revenue areas of $1.1 million.

Manufacturing/ Wholesale. Revenues in our Manufacturing/ Wholesale segment increased $1.9 million, or 1.7%, to $116.4 million for 2004 compared to $114.5 million for 2003. This increase was the result of increases in: (1) third-party sales at our Australian manufacturing facility of $2.1 million; (2) sales to Rite Aid of $1.7 million; and (3) sales to drugstore.com of $1.0 million. These increases were partially offset by a decrease in third-party sales from our South Carolina manufacturing facility of $2.9 million.

Cost of Sales

Consolidated cost of sales, which includes product costs, costs of warehousing, and distribution and occupancy costs, decreased $103.3 million, or 10.3%, to $895.2 million for 2004 compared to $998.5 million for 2003. Consolidated cost of sales, as a percentage of net revenue, was 66.5% for 2004 compared to 69.9% for 2003.

Product costs. Product costs decreased $82.1 million, or 11.1%, to $657.1 million for 2004 compared to $739.2 million for 2003. Consolidated product costs as a percentage of net revenue dropped to 48.8% for the year ended December 31, 2004 from 51.7% for 2003. This decrease was a result of: (1) improved margins in the Retail segment as a result of increased sales of higher margin GNC proprietary products and decreased sales of lower margin third-party products; (2) improved management of inventory which resulted in lower product costs due to fewer inventory losses from expired product; and (3) improved efficiencies in our South Carolina manufacturing facility. Our product costs in 2004 also included $1.3 million of expense resulting from adjustments due to increased inventory valuation related to the Numico acquisition.

Warehousing and distribution costs. Warehousing and distribution costs increased $3.9 million, or 8.3%, to $50.8 million for 2004 compared to $46.9 million for 2003. This increase in costs was primarily a result of a $7.7 million increase in unreimbursed expenses from trucking services provided to our vendors and former affiliates, which was partially offset by reduced wages of $2.3 million and operating expenses of $1.5 million for the year ended December 31, 2004 compared with 2003. Consolidated warehousing and distribution costs, as a percentage of net revenue, were 3.8% for the year ended December 31, 2004 compared to 3.3% for 2003.

Occupancy costs. Occupancy costs decreased $25.1 million, or 11.8%, to $187.3 million for the year ended December 31, 2004 compared to $212.4 million for 2003. This decrease was primarily due to a reduction in depreciation expense of $17.3 million as a result of the revaluation of our assets due to purchase accounting relating to the Numico acquisition. Reductions in rental expenses as a result of fewer stores operating and more favorable lease terms, accounted for another $3.5 million of the decrease. The remaining $4.3 million decrease occurred in other occupancy related expenses. This was offset by a one-time non-cash pre-tax rent charge of $0.9 million in the fourth quarter of 2004 related to a correction in our lease accounting policies. See the Basis of Presentation and Summary of Significant Accounting Policies note to our consolidated financial statements included in this prospectus. Consolidated occupancy costs, as a percentage of net revenue, were 13.9% for the year ended December 31, 2004 compared to 14.9% for 2003.

Table of Contents

Selling, General and Administrative Expenses

Our consolidated SG&A expenses, including compensation and related benefits, advertising and promotion expense, other SG&A expenses, and amortization expense, decreased $18.8 million, or 5.1%, to $347.8 million, for the year ended December 31, 2004 compared to $366.6 million for 2003. Our consolidated SG&A expenses, including compensation and related benefits, advertising and promotion expense, other SG&A expenses, and amortization expense, as a percentage of net revenue, were 25.9% during the year ended December 31, 2004 compared to 25.6% for 2003.

Compensation and related benefits. Compensation and related benefits decreased $21.7 million, or 8.6%, to $230.0 million for the year ended December 31, 2004 compared to $251.7 million for 2003. The decrease was the result of decreases in: (1) acquisition related charges for change in control and retention bonuses recognized in 2003 of $8.7 million; (2) incentives and commissions expense of $6.2 million; (3) stock based compensation expense recognized in 2003 of $4.3 million; (4) group health insurance and workers compensation expense of $1.2 million; (5) relocation costs of $1.0 million; and (6) other compensation and related benefit expenses of $0.3 million.

Advertising and promotion. Advertising and promotion expenses increased $5.1 million, or 13.1%, to $44.0 million for the year ended December 31, 2004 compared to $38.9 million during 2003. Advertising expense in 2004 increased compared to the same period in 2003 in the following areas: (1) direct marketing to our Gold Card customers increased $1.9 million; (2) general marketing costs increased $1.4 million; (3) product specific TV advertising increased $0.5 million; (4) store signage costs increased $0.6 million; and (5) other advertising expenses increased by $0.7 million.

Other SG&A. Other SG&A expenses, including amortization expense, decreased $2.2 million, or 2.9%, to $73.8 million for the year ended December 31, 2004 compared to $76.0 million for 2003. The primary reasons for the decrease were: (1) a decrease of $3.6 million in research and development costs as a result of the elimination of allocated costs from Numico; (2) reduced bad debt expense of $4.0 million; (3) reduced amortization expense of $3.1 million; (4) reduced one time costs previously incurred as a result of the Numico acquisition of $2.4 million; and (5) a reduction of $1.3 million in credit card transaction expenses. These decreases were offset by: (1) a $4.6 million increase in insurance expense; (2) a $3.5 million increase in other professional fees, of which $0.8 million was related to our ongoing efforts to prepare for Sarbanes-Oxley requirements and $1.5 million related to the management service agreement with Apollo Management V; (3) an increase of $0.6 million in hardware and software maintenance costs; and (4) an increase of $3.5 million in other operating expenses.

Foreign Currency Gain

We recognized a foreign currency gain of $0.3 million for the year ended December 31, 2004 compared to $2.9 million for 2003. These gains resulted primarily from accounts payable activity with our Canadian subsidiary.

Impairment of Goodwill and Intangible Assets

Our management initiated an evaluation of the carrying value of goodwill and indefinite-lived intangible assets as of October 1, 2004 and, based on that evaluation, found there to be no charge to impairment for 2004. In October 2003, Numico entered into an agreement to sell General Nutrition Companies, Inc. for a purchase price that indicated a potential impairment of our long-lived assets. Accordingly, management initiated an evaluation of the carrying value of goodwill and indefinite-lived intangible assets as of September 30, 2003. As a result of this evaluation, an impairment charge of $709.4 million (pre-tax) was recognized for goodwill and other indefinite-lived intangibles in accordance with SFAS No. 142.

Table of Contents

Other Income and Expense

In 2003, we received $7.2 million in non-recurring legal settlement proceeds related to raw material pricing litigation. We received no proceeds from legal settlements for 2004.

In 2004, we incurred a $1.3 million charge for costs related to the preparation of a registration statement for an offering of our common stock to the public. These costs were expensed, as that offering was not completed and the registration statement was withdrawn. There were no other expenses in this category for 2003.

Operating Income (Loss)

Consolidated. As a result of the foregoing, operating income increased $735.6 million, to $100.7 million for the year ended December 31, 2004 compared to $634.9 million operating loss for 2003. For the year ended December 31, 2003, we recognized a $709.4 million impairment charge relating to the write down of our goodwill and intangible assets, with no impairment charges in 2004. Operating income as a percentage of net revenue was 7.5% for the year ended December 31, 2004 compared to a 44.4% operating loss for 2003.

Retail. Operating income increased $22.0 million, or 25.7%, to $107.7 million for the year ended December 31, 2004 compared to $85.7 million for 2003. The increase was a result of improved margins due to the sales shift to higher margin items, decreased depreciation expense, and decreased rental costs due to operating fewer stores, offset by an increase in advertising and marketing expenses.

Franchise. Operating income decreased $3.7 million, or 5.6%, to $62.4 million for the year ended December 31, 2004 compared to $66.1 million for 2003. The decrease was principally a result of fewer sales of company-owned stores to franchisees and decreased wholesale product sales.

Manufacturing/ Wholesale. Operating income increased $12.9 million, or 50.2%, to $38.6 million for the year ended December 31, 2004 compared to $25.7 million for 2003. This increase was primarily the result of increased revenues to our third-party customers, more favorable contract terms from a new agreement with Rite Aid, and decreased depreciation expense at our manufacturing facilities.

Warehousing and distribution costs. Unallocated warehousing and distribution costs increased $5.2 million, or 11.8%, to $49.3 million for the year ended December 31, 2004 compared to $44.1 million for 2003. This increase in costs was primarily a result of decreased income from trucking services provided to our vendors and former affiliates, which was partially offset by reduced wages and related expenses.

Corporate costs. Corporate overhead costs decreased $8.7 million, or 13.2%, to $57.4 million for the year ended December 31, 2004 compared to $66.1 million for 2003. This decrease was the result of decreases in: (1) research and development costs; (2) wage and benefit expense; and (3) one-time transaction costs related to the Numico acquisition. These decreases were partially offset by increases in insurance costs, professional fees, and other operating expenses.

Other. Income from legal settlements decreased by $7.2 million for the year ended December 31, 2004 compared to 2003. During 2003, we received non-recurring legal settlement proceeds of $7.2 million related to raw material pricing litigation. For 2004, we incurred a $1.3 million charge for costs related to the preparation of a registration statement for an offering of our common stock to the public. These costs were expensed, as this offering was not completed and the registration statement was withdrawn.

Interest Expense

Interest expense decreased $89.4 million, or 72.2%, to $34.5 million for the year ended December 31, 2004 compared to $123.9 million for 2003. This decrease was primarily attributable to the new debt structure after the Numico acquisition, which consisted of: (1) a $285.0 million term loan, with interest payable at an average rate of 5.42% for 2004; (2) $215.0 million of senior subordinated notes with interest payable at 8$^1/2$ %; and (3) a $75.0 million revolving loan facility, with interest expense payable at an average rate of 0.79% for 2004, consisting of commitment fees and letter of credit fees, of which

Table of Contents

$8.0 million was used for letters of credit at December 31, 2004. Our new debt structure replaces our previous debt structure, which included intercompany debt of $1.8 billion, which was payable to Numico at an annual interest rate of 7.5%.

Income Tax Expense (Benefit)

We recognized $24.5 million of consolidated income tax expense during the year ended December 31, 2004 compared to a $174.3 million benefit for 2003. The increased tax expense for the year ended December 31, 2004 was a result of an increase in income before income taxes of $66.2 million. The effective tax rate for 2004 was a 37.0% expense, compared to an effective tax rate of a 39.2% expense for the 27 days ended December 31, 2003 and a 23.0% benefit, for the period January 1, 2003 to December 4, 2003, which was primarily the result of a valuation allowance on deferred tax assets associated with interest expense on the related party push down debt from Numico. We believed that as of December 4, 2003, it was unlikely that future taxable income would be sufficient to realize the tax assets associated with the interest expense on the related party push down debt from Numico. Thus, a valuation allowance was recognized. Pursuant to the purchase agreement entered into in connection with Numico acquisition, Numico agreed to indemnify us for any subsequent tax liabilities arising from periods prior to the Numico acquisition.

Net Income (Loss)

As a result of the foregoing, consolidated net income increased $626.2 million to $41.7 million for the year ended December 31, 2004 compared to a loss of $584.5 million for 2003. For 2003, we recognized a $709.4 million (pre-tax) impairment charge relating to the write down of our goodwill and intangible assets, with no impairment in 2004. Although revenues decreased, these decreases were offset by improved margins, operating cost reductions, a decrease in impairment charges, and a significant decrease in interest expense. Net income, as a percentage of net revenue, was 3.1% for the year ended December 31, 2004, compared to (40.9)% for 2003.

Other Comprehensive Income (Loss)

We recognized $0.9 million of foreign currency gain for the year ended December 31, 2004 compared to $1.9 million for 2003. The amounts recognized in each period resulted from foreign currency adjustments related to the investment in and receivables due from our Canadian and Australian subsidiaries.

Liquidity and Capital Resources

At March 31, 2006, we had $44.3 million in cash and cash equivalents and $265.0 million in working capital compared with $77.8 million in cash and cash equivalents and $263.9 million in working capital at March 31, 2005. The $1.1 million increase in working capital was primarily driven by our increase in inventory and accounts receivable offset by a reduction in cash for restricted payments to our common stockholders.

At December 31, 2005, we had $86.0 million in cash and cash equivalents and $297.0 million in working capital compared with $85.2 million in cash and cash equivalents and $281.1 million in working capital at December 31, 2004. The $15.9 million increase in working capital was primarily driven by our increase in inventory.

We expect to fund our operations through internally generated cash and, if necessary, from borrowings under our $75.0 million revolving credit facility. At March 31, 2006, we had $65.1 million available under our revolving credit facility, after giving effect to $9.9 million utilized to secure letters of credit. We expect our primary uses of cash in the near future will be debt service requirements, capital expenditures, and working capital requirements. As a result of this offering, we will reduce our obligations by redeeming our Series A preferred stock. We anticipate that cash generated from operations, together with amounts available under our revolving credit facility, will be sufficient for the term of the revolving credit facility

Table of Contents

which matures on December 5, 2008, to meet our operating expenses, capital expenditures, and debt service obligations as they become due. However, our ability to make scheduled payments of principal on, to pay interest on, or to refinance our debt and to satisfy our other debt obligations will depend on our future operating performance, which will be affected by general economic, financial, and other factors beyond our control. See Contractual Obligations for our obligations related to our senior credit facility, senior notes and senior subordinated notes. We are currently in compliance with our financial and debt covenant reporting and compliance requirements in all material respects.

Cash Provided by Operating Activities

Cash provided by operating activities was $12.5 million and $35.5 million for the three months ended March 31, 2006 and 2005, respectively. The primary reason for the decrease was changes in working capital accounts offset by an increase in net income. Net income increased $8.7 million for the year ended March 31, 2006 compared with the same period in 2005.

For the three months ended March 31, 2006, inventory increased $42.2 million, as a result of increases in our finished goods, bulk inventory, and packaging supplies and a decrease in our reserves. Inventory was increased in the first quarter 2006 to support our increased sales in all business segments, to ensure an in-stock position of our top-selling products, and to provide new products to our customers. Primarily as a result of the increase in inventory, accounts payable increased by $25.8 million for the three months ended March 31, 2006. Accounts receivable increased by $7.0 million for the three months ended March 31, 2006 primarily due to increased wholesale sales to franchisees and increased third-party sales by our Greenville, South Carolina plant. Accrued taxes increased by $6.6 million for the three months ended March 31, 2006 due to the increase in net income. Additionally, we had a prepaid tax that was utilized for the three months ended March 31, 2005.

For the three months ended March 31, 2005, inventory increased $23.2 million, to support our strategy of ensuring our top-selling products are always in stock. Primarily as a result of the increase in inventory, accounts payable increased by $26.2 million for the three months ended March 31, 2005. Accrued interest for the three months ended March 31, 2005 increased $7.2 million due to the January 2005 issuance of the $150.0 million senior notes, which has interest payable semi-annually on January 15 and July 15 each year.

Cash provided by operating activities was $64.2 million in 2005, $83.5 million in 2004, and $97.6 million during 2003. The primary reason for the decrease in each year was the reduction in net income (excluding the $709.4 million impairment in 2003) and changes in working capital accounts during these years. Net income decreased $23.3 million for the year ended December 31, 2005 compared with 2004.

For the year ended December 31, 2005, inventory increased $33.3 million, as a result of increases in our finished goods, bulk inventory, and packaging supplies and a decrease in our reserves. This inventory increase supports our strategy of ensuring our top-selling products are always in stock. Franchise notes receivable decreased by $6.7 million for the year ended December 31, 2005, as a result of payments on existing notes, fewer company-financed franchised store openings than in prior years, and the closing of 171 franchised stores in 2005. Accrued interest for the year ended December 31, 2005 increased $6.0 million due to the issuance in 2005 of our $150.0 million senior notes, which have interest payable semi-annually on January 15 and July 15 each year. Other assets decreased $6.7 million for the year ended December 31, 2005, which was primarily a result of a reduction in prepaids and long-term deposits.

For the year ended December 31, 2004, inventory increased $24.7 million, a result of increasing our finished goods and bulk inventory and a decrease in our reserves. Franchise notes receivable decreased $11.6 million in 2004, a result of payments on existing notes and fewer franchised store openings than in prior years. Accrued liabilities decreased $28.9 million for the year ended December 31, 2004, primarily a result of reductions of: (1) class action wage accrual of $4.2 million; (2) incentives of $4.5 million; (3) change of control payments of $9.2 million; (4) store closings accruals of $4.3 million; (5) certain insurance accruals of $6.0 million; and (6) other accruals of $0.7 million. The $6.0 million change in certain insurance accruals related to our prepaid insurance premiums, which were paid in cash at December 31, 2004, and at December 31, 2003, were recorded as a liability and prepaid through a financing arrangement. Net deferred taxes changed $24.2 million in 2004 as a result of an increase in our deferred tax liability, which was due to book versus tax timing differences.

For the year ended December 31, 2003, receivables decreased due to the receipt of $134.8 million of legal settlement proceeds in January 2003, relating to raw material pricing litigation. This was partially offset by the settlement of a $70.6 million receivable due from Numico at December 4, 2003, which was generated from periodic cash sweeps by our former parent during the period January 1, 2003 to December 4, 2003. Net deferred taxes changed $197.6 million in the period ended December 4, 2003, a result of the $709.4 million impairment creating the significant net loss position.

Cash Used in Investing Activities

We used cash from investing activities of $3.8 million for the three months ended March 31, 2006 and $4.9 million during the first quarter of 2005. Capital expenditures, which were primarily for improvements to our retail stores and our South Carolina manufacturing facility, were $3.7 million for the three months ended March 31, 2006 and $4.4 million during the first quarter of 2005.

We used cash from investing activities of $21.5 million for 2005, $27.0 million in 2004, and $771.5 million during 2003. We used $738.1 million to acquire General Nutrition Companies, Inc. from Numico in December 2003. This $738.1 million was reduced by approximately $12.7 million related to a purchase price adjustment received in April 2004, and increased by $7.8 million for other acquisition costs, for a net purchase price of $733.2 million. Capital expenditures decreased $7.5 million from 2005 compared to 2004 and decreased $4.5 million from 2004 compared to 2003. Capital expenditures, which were primarily for improvements to our retail stores and our South Carolina manufacturing facility, were $20.8 million in 2005, $28.3 million for 2004, and $32.8 million during 2003.

We currently have no material capital commitments. Our capital expenditures typically consist of certain lease-required periodic updates in our company-owned stores and ongoing upgrades and improvements to our manufacturing facilities. Additionally, we expect to upgrade our point-of-sale register systems in the near future.

Cash Used in Financing Activities

We used cash in financing activities of approximately $50.4 million for the three months ended March 31, 2006. In March 2006, Centers made a restricted payment of $49.9 million to the holders of our common stock, which was in compliance with Centers debt covenants and the terms of our preferred stock as a one-time total payment. During the three months ended March 31, 2006, we also paid down an additional $0.5 million of debt.

In January 2005, Centers issued $150.0 million aggregate principal amount of its senior notes and used the net proceeds from this issuance, along with $39.4 million cash on hand, to pay down $185.0 million of Centers debt under its term loan facility. During 2005, we also paid $4.7 million in fees related to the senior notes offering and paid down an additional $2.0 million of debt.

We used cash in financing activities of approximately $4.5 million for the year ended December 31, 2004. The primary uses of cash for 2004 were for payments on long term debt of $3.8 million and for payment of financing fees related to the issuance of Centers senior subordinated notes and a bank credit agreement amendment of $1.1 million. In addition, we subsequently sold shares of our common stock for net proceeds of approximately $1.6 million to certain members of our management.

The primary use of cash in the period ended December 4, 2003 was principal payments on debt of Numico, of which we were a guarantor. For the 27 days ended December 31, 2003, the primary source of cash to fund the Numico acquisition was from borrowings under Centers senior credit facility of $285.0 million, proceeds from Centers issuance of the senior subordinated notes of $215.0 million, and proceeds from the issuance of shares of our common stock of $177.5 million and of our Series A preferred stock of $100.0 million.

Senior Credit Facility. In connection with the Numico acquisition, Centers entered into a senior credit facility with a syndicate of lenders. GNC and its domestic subsidiaries have guaranteed Centers obligations under the senior credit facility. The senior credit facility at December 31, 2004 consisted of a $285.0 million term loan facility and a $75.0 million revolving credit facility. Centers borrowed the entire $285.0 million under the original term loan facility to fund part of the Numico acquisition, with none of the $75.0 million revolving credit facility being utilized to fund the Numico acquisition. This facility was subsequently amended in December 2004. In January 2005, as a stipulation of the December 2004 amendment to the senior credit facility, Centers used the net proceeds of their senior notes offering of $145.6 million, together with $39.4 million of cash on hand, to repay a portion of the debt under the prior $285.0 million term loan facility. We amended the senior credit facility again in May 2006 in order to reduce the term loan facility interest rates, remove a requirement to use a portion of equity proceeds to reduce the senior credit facility, and clarify our ability to make permitted restricted payments. At March 31, 2006, the credit facility consisted of a $95.9 million term loan facility and a $75.0 million revolving credit facility.

The term loan facility matures on December 5, 2009. The revolving credit facility matures on December 5, 2008. The senior credit facility permits Centers to prepay a portion or all of the outstanding balance without incurring penalties other than indemnifications for losses that occur when a Eurodollar loan is prepaid on a date that is not the last day of an interest period. The revolving credit facility allows for $50.0 million to be used for outstanding letters of credit. We used $9.9 million at March 31, 2006, $8.6 million at December 31, 2005, and $8.0 million at December 31, 2004. At March 31, 2006, $65.1 million of this facility was available for borrowing. Interest on the senior credit facility carried an average interest rate of 7.8% at March 31, 2006, 7.4% at December 31, 2005, and 5.4% at December 31, 2004. Interest is payable quarterly in arrears. The senior credit facility contains customary covenants including financial tests (including maintaining a maximum senior secured leverage ratio of no more than 2.25 and a minimum fixed charge ratio coverage of at least 1.0, each of which utilizes EBITDA as defined by the credit agreement in its calculation, ratio, and maximum capital expenditures), and certain other limitations such as our ability to incur additional debt, guarantee other obligations, grant liens on assets, make investments, acquisitions, or mergers, dispose of assets, make optional payments or modifications of other debt instruments, and pay dividends or other payments on capital stock. If we do not maintain or meet the minimum requirements for these covenants, the lenders under the credit facilities are entitled to accelerate the facilities and take various other actions, including all actions permitted to be taken by a secured creditor. See the Long-Term Debt note to our consolidated financial statements included in this prospectus.

Senior Notes. In January 2005, Centers issued $150.0 million aggregate principal amount of senior notes, with an interest rate of $8^{5}/8$ % per year. The senior notes mature in 2011. Centers used the net proceeds of this offering of $145.6 million, together with $39.4 million of cash on hand, to repay $185.0 million of the debt under its term loan facility.

Senior Subordinated Notes. On December 5, 2003, Centers issued $215.0 million aggregate principal amount of senior subordinated notes in connection with the Numico acquisition. The senior subordinated notes mature in 2010 and bear interest at the rate of $8^{1}/2$ % per year. The senior subordinated notes indenture was subsequently supplemented in April 2004.

Common and Preferred Stock. In December 2003, our principal stockholder and certain of our directors and members of our senior management made an equity contribution of $277.5 million in exchange for 50,470,287 shares of common stock and in the case of the principal stockholder, 100,000 shares of our preferred stock. The proceeds of the equity contribution were contributed to Centers to fund a portion of the Numico acquisition price. In addition, we subsequently sold shares of our common stock for net proceeds of approximately $1.6 million to certain members of our management. The proceeds of all of these sales were contributed by us to Centers.

Table of Contents

Contractual Obligations

At March 31, 2006 there were no material changes in our December 31, 2005 contractual obligations. The following table summarizes our future minimum non-cancelable contractual obligations at December 31, 2005:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
	(In millions)				
Long-term debt obligations(1)	$ 473.4	$ 2.1	$ 4.4	$ 311.1	$ 155.8
Scheduled interest payments(2)	186.3	39.7	78.7	66.8	1.1
Operating lease obligations(3)	339.7	98.1	134.1	64.8	42.7
Purchase obligations(4)(5)	16.1	4.2	4.1	3.3	4.5
	$ 1,015.5	$ 144.1	$ 221.3	$ 446.0	$ 204.1

(1) These balances consist of the following debt obligations: (a) $215.0 million for Centers senior subordinated notes; (b) $150.0 million for Centers senior notes; (c) $96.2 million for our term loan facility; (d) $12.2 million for Centers mortgage; and (e) less than $0.1 million for capital leases. See the Long-Term Debt note to our consolidated financial statements included in this prospectus.

(2) These balances represent the interest that will accrue on the long-term obligations, which includes some variable debt interest payments, which are estimated using current interest rates. See the Long-Term Debt note to our consolidated financial statements.

(3) These balances consist of the following operating leases: (a) $313.0 million for company-owned retail stores, (b) $101.5 million for franchised retail stores, which is offset by $101.5 million of sublease income from franchisees, and (c) $26.7 million for various leases for tractors/trailers, warehouses, automobiles, and various equipment at our facilities. See the Long-Term Lease Obligation note to our consolidated financial statements.

(4) These balances consist of $3.5 million of advertising and inventory commitments and $12.6 million related to a management services agreement and credit facility administration fees. The management service agreement was entered into between us and Apollo Management V. In consideration of Apollo Management V s services, we are obligated to pay an annual fee of $1.5 million for ten years commencing on December 5, 2003. See the Related Party Transactions note to our consolidated financial statements. We are also required to pay a $0.1 million credit facility administration fee annually to the administrative agent under our senior credit facility.

(5) This balance excludes $21.5 million related to contracts with an advertising vendor, which were terminated by GNC and are currently in litigation. See Business Legal Proceedings in this prospectus.

In addition to the obligations scheduled above, we have 100,000 shares of our Series A preferred stock that accrue dividends at a rate of 12%, with dividends in arrears of $31.6 million at March 31, 2006. See the Preferred Stock note to our consolidated financial statements. We plan to redeem all of the outstanding preferred stock with net proceeds of this offering.

In addition to the obligations scheduled above, we have entered into employment agreements with some of our executives that provide for compensation and certain other benefits. Under certain circumstances, including a change of control, some of these agreements provide for severance or other payments, if those circumstances would ever occur during the term of the employment agreement.

Off Balance Sheet Arrangements

As of March 31, 2006 and 2005 and December 31, 2005, 2004, and 2003, we had no relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off balance sheet arrangements, or other contractually narrow or limited purposes. We are, therefore, not materially exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in such relationships.

We have a balance of unused barter credits on account with a third-party barter agency. We generated these barter credits by exchanging inventory with a third-party barter vendor. In exchange, the barter vendor supplied us with barter credits. We did not record a sale on the transaction as the inventory sold was for expiring products that were previously fully reserved for on our balance sheet. In accordance with Accounting Principles Board Statement (APB) No. 29, a sale is recorded based on either the value given up or the value received, whichever is more easily determinable. The value of the inventory was determined to be zero, as the inventory was fully reserved. Therefore, these credits were not recognized on the balance sheet and are only realized when we purchase services or products through the bartering company. The credits can be used to offset the cost of purchasing services or products. The available credit balance was $8.9 million as of March 31, 2006, $9.5 million as of December 31, 2005, and $11.3 million as of December 31, 2004. The barter credits are available for us to use through April 1, 2009.

Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of changes in the value of market risk sensitive instruments caused by fluctuations in interest rates, foreign exchange rates, and commodity prices. Changes in these factors could cause fluctuations in the results of our operations and cash flows. In the ordinary course of business, we are primarily exposed to foreign currency and interest rate risks. We do not use derivative financial instruments in connection with these market risks.

Foreign Exchange Rate Market Risk

We are subject to the risk of foreign currency exchange rate changes in the conversion from local currencies to the U.S. dollar of the reported financial position and operating results of our non-U.S. based subsidiaries. We are also subject to foreign currency exchange rate changes for purchase and services that are denominated in currencies other than the U.S. dollar. The primary currencies to which we are exposed to fluctuations are the Canadian Dollar and the Australian Dollar. The fair value of our net foreign investments and our foreign denominated payables would not be materially affected by a 10% adverse change in foreign currency exchange rates for the periods presented.

Interest Rate Market Risk

A portion of our debt is subject to changing interest rates. Although changes in interest rates do not impact our operating income, the changes could affect the fair value of such debt and related interest payments. As of December 31, 2005, we had fixed rate debt of $377.2 million and variable rate debt of $96.2 million. We have not entered into futures or swap contracts at this time. Based on our variable rate debt balance as of December 31, 2005, a 1% change in interest rates would increase or decrease our annual interest cost by $1.0 million.

For the three months ended March 31, 2006 there have been no material changes to our market risks disclosed above.

Effect of Inflation

Inflation generally affects us by increasing costs of raw materials, labor, and equipment. We do not believe that inflation had any material effect on our results of operations in the periods presented in our consolidated financial statements.

Table of Contents

Critical Accounting Estimates

You should review the significant accounting policies described in the notes to our consolidated financial statements under the heading Basis of Presentation and Summary of Significant Accounting Policies included in this prospectus.

Stock-Based Compensation

We adopted SFAS No. 123(R) effective January 1, 2006. See the Stock Based Compensation Plans note to our unaudited consolidated financial statements in this prospectus for additional disclosure on the effects of adoption and the valuation method and assumptions applied to current period stock option grants.

Use of Estimates

Certain amounts in our financial statements require management to use estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Our accounting policies are described in the notes to our consolidated financial statements under the heading Basis of Presentation and Summary of Significant Accounting Policies. Our critical accounting policies and estimates are described in this section. An accounting estimate is considered critical if:

- the estimate requires management to make assumptions about matters that were uncertain at the time the estimate was made;
- different estimates reasonably could have been used; or
- changes in the estimate that would have a material impact on our financial condition or our results of operations are likely to occur from period to period.

Management believes that the accounting estimates used are appropriate and the resulting balances are reasonable. However, actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

Revenue Recognition

We operate primarily as a retailer, through company-owned stores, franchised stores, and, to a lesser extent, as a wholesaler. On December 28, 2005, we started recognizing revenue through product sales on our website, www.gnc.com. We apply the provisions of Staff Accounting Bulletin No. 104, Revenue Recognition. We recognize revenues in our Retail segment at the moment a sale to a customer is recorded. Gross revenues are reduced by actual customer returns and a provision for estimated future customer returns, which is based on management s estimates after a review of historical customer returns. We recognize revenues on product sales to franchisees and other third parties when the risk of loss, title, and insurable risks have transferred to the franchisee or third-party. We recognize revenues from franchise fees at the time a franchised store opens or at the time of franchise renewal or transfer, as applicable.

Inventories

Where necessary, we provide estimated allowances to adjust the carrying value of our inventory to the lower of cost or net realizable value. These estimates require us to make approximations about the future demand for our products in order to categorize the status of such inventory items as slow moving, obsolete, or in excess of need. These future estimates are subject to the ongoing accuracy of management s forecasts of market conditions, industry trends, and competition. We are also subject to volatile changes in specific product demand as a result of unfavorable publicity, government regulation, and rapid changes in demand for new and improved products or services.

Accounts Receivable and Allowance for Doubtful Accounts

The majority of our retail revenues are received as cash or cash equivalents. The majority of our franchise revenues are billed to the franchisees with varying terms for payment. We offer financing to qualified domestic franchisees with the initial purchase of a franchise location. The notes are demand notes, payable monthly over periods of five to seven years. We generate a significant portion of our revenue from ongoing product sales to franchisees and third-party customers. An allowance for doubtful accounts is established based on regular evaluations of our franchisees and third-party customers financial health, the current status of trade receivables, and historical write-off experience. We maintain both specific and general reserves for doubtful accounts. General reserves are based upon our historical bad debt experience, overall review of our aging of accounts receivable balances, general economic conditions of our industry or the geographical regions, and regulatory environments of our third-party customers and franchisees.

Impairment of Long-Lived Assets

Long-lived assets, including fixed assets and intangible assets with finite useful lives, are evaluated periodically by us for impairment whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. If the sum of the undiscounted future cash flows is less than the carrying value, we recognize an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset. These estimates of cash flow require significant management judgment and certain assumptions about future volume, revenue and expense growth rates, foreign exchange rates, devaluation, and inflation. This estimate may differ from actual cash flows.

Self-Insurance

We obtain insurance for the following areas: (1) general liability; (2) product liability; (3) directors and officers liability; (4) property insurance; and (5) ocean marine insurance. We are self-insured for the following additional areas: (1) medical benefits; (2) workers compensation coverage in the State of New York with a stop loss of $250,000; (3) physical damage to our tractors, trailers, and fleet vehicles for field personnel use; and (4) physical damages that may occur at our company-owned store locations. We are not insured for certain property and casualty risks due to the frequency and severity of a loss, the cost of insurance, and the overall risk analysis. Our associated liability for this self-insurance was not significant as of March 31, 2006, December 31, 2005, and December 31, 2004. Before the Numico acquisition, General Nutrition Companies, Inc. was included as an insured under several of Numico s global insurance policies.

We carry product liability insurance with a retention of $1.0 million per claim with an aggregate cap on retained losses of $10.0 million. We carry general liability insurance with retention of $100,000 per claim with an aggregate cap on retained losses of $600,000. The majority of our workers compensation and auto insurance are in a deductible/retrospective plan. We reimburse the insurance company subject to a $250,000 loss limit per workers compensation claim and a $100,000 loss limit per auto liability claim, with a combined aggregate cap on retained losses of $7.3 million.

As part of our medical benefits program, we contract with national service providers to provide benefits to our employees for all medical, dental, vision, and prescription drug services. We then reimburse these service providers as claims are processed from our employees. We maintain a specific stop loss provision of $250,000 per incident with a maximum limit up to $2.0 million per participant, per benefit year. We have no additional liability once a participant exceeds the $2.0 million ceiling. Our liability for medical claims is included as a component of accrued benefits in the Accrued Payroll and Related Liabilities to our consolidated financial statements. It was $3.0 million as of March 31, 2006 and December 31, 2005 and $2.6 million as of December 31, 2004.

Goodwill and Indefinite-Lived Intangible Assets

On an annual basis, we perform an evaluation of the goodwill and indefinite lived intangible assets associated with our operating segments. To the extent that the fair value associated with the goodwill and indefinite-lived intangible assets is less than the recorded value, we write down the value of the asset. The valuation of the goodwill and indefinite-lived intangible assets is affected by, among other things, our business plan for the future, and estimated results of future operations. Changes in the business plan or operating results that are different than the estimates used to develop the valuation of the assets may result in an impact on their valuation.

Historically, we have recognized impairments to our goodwill and intangible assets based on declining financial results and market conditions. The most recent valuation was performed at October 1, 2005, and no impairment was found. There was no impairment found during 2004. At September 30, 2003, we evaluated the carrying value of our goodwill and intangible assets, and recognized an impairment charge accordingly. See the Goodwill and Intangible Assets note to our consolidated financial statements. Based upon our improved capitalization of our financial statements subsequent to the Numico acquisition, the stabilization of our financial condition, our anticipated future results based on current estimates, and current market conditions, we do not currently expect to incur additional impairment charges in the near future.

Leases

We have various operating leases for company-owned and franchised store locations and equipment. Store leases generally include amounts relating to base rental, percent rent, and other charges such as common area maintenance fees and real estate taxes. Periodically, we receive varying amounts of reimbursements from landlords to compensate us for costs incurred in the construction of stores. We amortize these reimbursements as an offset to rent expense over the life of the related lease. We determine the period used for the straight-line rent expense for leases with option periods and conform it to the term used for amortizing improvements.

Income Taxes

We utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. At any point in time we have various tax audits in progress. As a result, we also record reserves for estimates of probable settlements of these audits. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues.

Recently Issued Accounting Pronouncements

In October 2005, the FASB issued Staff Position FAS 13-1, Accounting for Rental Costs Incurred during a Construction Period, which requires rental costs associated with ground or building operating leases that are incurred during a construction period to be recognized as rental expense. This Staff Position is effective for reporting periods beginning after December 15, 2005, and retrospective application is permitted but not required. The adoption of this statement did not have a significant effect on our consolidated financial position or results of operations, since we currently expense such costs.

In September 2005, EITF No. 05-6, Determining the Amortization Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination, was issued effective for leasehold improvements, within the scope of this Issue, that are purchased or acquired in reporting periods beginning after June 29, 2005. Early application of the consensus was permitted in periods for which financial statements have not been issued. This Issue addresses the amortization period for leasehold improvements in operating leases that are either placed in service significantly after and not contemplated at or near the beginning of the initial lease term or acquired in a business combination. We had already adopted the practices effective for 2004, and the adoption did not have a significant effect on our consolidated financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Correction, a replacement of APB Opinion No. 20 and FASB Statement No. 3. This statement replaces APB Opinion No. 20, Accounting Changes, and FASB Statement No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting and reporting of a change in accounting principle. This statement requires retrospective application to prior periods financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This statement defines retrospective application as the application of a different accounting principle to prior accounting periods as if that principle had always been used or as the adjustment of previously issued financial statements to reflect a change in the reporting entity. This statement also redefines restatement as the revising of previously issued financial statements to reflect the correction of an error. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We adopted this standard beginning January 1, 2006. The adoption did not have a material impact on our consolidated financial position or results of operations.

In March 2005, the FASB issued FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations. The interpretation provides guidance relating to the identification of and financial reporting for legal obligations to perform an asset retirement activity. It requires recognition of a liability for the fair value of a conditional asset retirement obligation when incurred if the liability s fair value can be reasonably estimated. The interpretation also defines when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The interpretation was required to be applied no later than the end of fiscal years ending after December 15, 2005; with retrospective application for interim financial information being permitted but not required. We adopted the interpretation for 2005. The adoption did not have a material impact on our consolidated financial position or results of operations.

In December 2004, the FASB issued SFAS No. 123 (revised 2004) Share-Based Payment: an Amendment of FASB Statements No. 123 and 95. SFAS No. 123(R) sets accounting requirements for share-based compensation to employees and disallows the use of the intrinsic value method of accounting for stock compensation. We are required to account for such transactions using a fair-value method and to recognize compensation expense over the period during which an employee is required to provide services in exchange for the stock options and other equity-based compensation issued to employees. This statement was effective for us on January 1, 2006, and we elected to use the modified prospective application method. The impact of this statement on our consolidated results of operations has been historically disclosed on a pro forma basis and is now recognized as compensation expense on a prospective basis. Based on the equity awards outstanding as of March 31, 2006, we expect compensation expense, net of tax, of $1.0 million to $2.0 million in 2006.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of Accounting Research Bulletin No. 43, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). This statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of so abnormal. In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. Companies are required to adopt the provisions of this statement for fiscal years beginning after June 15, 2005. We adopted this standard starting January 1, 2006, and it did not have a significant impact on our consolidated financial position or results of operations.

Table of Contents

BUSINESS

GNC Corporation

With our worldwide network of over 5,800 locations and our www.gnc.com website, we are the largest global specialty retailer of health and wellness products, including VMHS products, sports nutrition products, and diet products. We believe that the strength of our GNC® brand, which is distinctively associated with health and wellness, combined with our stores and website, give us broad access to consumers and uniquely position us to benefit from the favorable trends driving growth in the nutritional supplements industry and the broader health and wellness sector. We derive our revenues principally from product sales through our company-owned stores, franchise activities, and sales of products manufactured in our facilities to third parties. Our broad and deep product mix, which is focused on high-margin, value-added nutritional products, is sold under our GNC proprietary brands, including Mega Men®, Ultra Mega®, Pro Performance®, and Preventive Nutrition®, and under nationally recognized third-party brands.

We have a business model that has enabled us to establish significant credibility and brand equity with both our vendors and our customers. Our domestic retail network, which is approximately nine times larger than the next largest U.S. specialty retailer of nutritional supplements, provides a leading platform for our vendors to distribute their products to their target consumer. This gives us tremendous leverage with our vendor partners and has enabled us to negotiate product exclusives or first-to-market opportunities. In addition, our in-house product development capabilities enable us to offer our customers proprietary merchandise that can only be purchased through our stores or our website. As the nutritional supplement consumer often requires knowledgeable customer service, we also differentiate ourselves from mass and drug retailers with our well-trained sales associates. We believe that our expansive retail network, our differentiated merchandise offering, and our quality customer service result in a unique shopping experience.

Industry Overview

We operate within the large and growing U.S. nutritional supplements retail industry. According to Nutrition Business Journal s Supplement Business Report 2005, our industry generated an estimated $21.0 billion in sales in 2005, and is projected to grow at an average annual rate of 4% per year for at least the next five years. Our industry is also highly fragmented, and we believe this fragmentation provides large operators, like us, the ability to compete more effectively due to scale advantages.

We expect several key demographic, healthcare, and lifestyle trends to drive the continued growth of our industry. These trends include:

Increased Focus on Healthy Living: Consumers are leading more active lifestyles and becoming increasingly focused on healthy living, nutrition, and supplementation. According to the Nutrition Business Journal, a study by the Hartman Group found that 85% of the American population today is involved to some degree in health and wellness compared to 70% to 75% a few years ago. We believe that growth in the nutritional supplements industry will continue to be driven by consumers who increasingly embrace health and wellness as a critical part of their lifestyles.

Aging Population: The average age of the U.S. population is increasing. U.S. Census Bureau data indicates that the number of Americans age 65 or older is expected to increase by approximately 56% from 2000 to 2020. We believe that these consumers are significantly more likely to use nutritional supplements, particularly VMHS products, than younger persons and have higher levels of disposable income to pursue healthy lifestyles.

Rising Healthcare Costs and Use of Preventive Measures: Healthcare related costs have increased substantially in the United States. A preliminary survey released by Mercer Human Resource Consulting in 2005 found that employers anticipate an almost 10% increase in healthcare costs in the next year, about three times the rate of general inflation, if they leave benefits unchanged. To reduce medical costs and avoid the complexities of dealing with the healthcare system, and given increasing incidence of medical problems and concern over the use and effects of prescription drugs, many consumers take preventive measures, including alternative medicines and nutritional supplements.

Increasing Focus on Fitness: In total, U.S. health club memberships increased 4.9% between January 2004 and January 2005 from 39.4 million members to a record 41.3 million and has grown 40% from 29.5 million in 1998, according to the International Health, Racquet & Sportsclub Association. We believe that the growing number of fitness-oriented consumers, at increasingly younger ages, are interested in taking sports nutrition products to increase energy, endurance, and strength during exercise and to aid recovery after exercise.

As a leader in our industry, we expect to grow at or above the projected industry growth rate.

Participants in our industry include specialty retailers, supermarkets, drugstores, mass merchants, multi-level marketing organizations, mail-order companies, and a variety of other smaller participants. The nutritional supplements sold through these channels are divided into four major product categories: VMHS; sports nutrition products; diet products; and other wellness products. Most supermarkets, drugstores, and mass merchants have narrow nutritional supplement product offerings limited primarily to simple vitamins and herbs, with less knowledgeable sales associates than specialty retailers. We believe that the market share of supermarkets, drugstores, and mass merchants over the last five years has remained relatively constant.

Competitive Strengths

We believe we are well positioned to capitalize on the emerging demographic, healthcare, and lifestyle trends affecting our industry. Our competitive strengths include:

Broad National Specialty Retail Footprint. According to Nutrition Business Journal s Supplement Business Report 2005, we have approximately nine times the number of domestic locations as our next largest U.S. specialty retail competitor. As of March 31, 2006, we also have a worldwide network of over 1,000 locations in 45 other countries.

Largest Health and Wellness Brand with Strong Credibility. We believe we are uniquely recognized as a leader in the health and wellness retail product sector. According to the GNC 2005 Awareness Tracking Study Final Report commissioned by GNC from Parker Marketing Research, an estimated 90% of the U.S. population recognizes the GNC brand name as a source of health and wellness products. In addition, we have over four million customers who are members of our Gold Card loyalty program, which we believe is a significant strength and enhances our targeted marketing efforts.

Ability to Leverage Existing Retail Infrastructure. Our existing store base, the stable size of our workforce, and our vertically integrated structure can support higher sales volume without adding significant incremental costs, and enable us to convert a high percentage of our net revenue into cash flow from operations. In addition, our stores require only modest capital expenditures, allowing us to generate substantial free cash flow before debt amortization.

New Product Development. We believe that new products are a key driver of customer traffic and purchases. Our internal development and science team, complemented by relationships with outside medical consultants, is focused on innovation and the continual development of high-potency specialty formulations of blockbuster items and condition-specific supplements.

Partner of Choice to Leading Industry Vendors. Given our brand credibility, worldwide distribution network and strong vendor relationships, we are often able to negotiate periods of exclusivity for new products and benefit from significant marketing expenditures by our vendors.

Experienced Management Team. Our senior management, who have been employed with us for an average of over 12 years, and our board of directors are comprised of experienced retail executives. As of March 31, 2006, after giving effect to this offering, our management would have

beneficially owned approximately 4.0% of our fully diluted common stock, excluding the shares owned by our principal stockholder.

Business Strategy

Our goal is to further capitalize on our position as the largest global specialty retailer of nutritional supplements and the trends affecting our industry by pursuing the following initiatives:

Increasing Store Productivity. We believe there is a significant opportunity to improve the productivity of our existing store base through new product introductions and implementing an enhanced point-of-sale system to track customer buying habits, better service our customers, and focus our merchandising at the store level.

Emphasis on Our Proprietary Products. We will continue to emphasize our proprietary brands, which typically have higher gross margins, by continually developing new products that are focused on specific health concerns, such as joint support, blood pressure, and heart health, and featuring our proprietary brands through our in-store merchandising.

Marketing Initiatives. We will continue to encourage customer loyalty, facilitate direct marketing, and increase cross-selling and up-selling opportunities by using our extensive customer base, Gold Card member database, and expanded customer information that we are developing ourselves or in cooperation with other retailers.

Expansion of International and Domestic Store Base. We are committed to expanding our international store network by growing our international franchise presence, which requires minimal capital expenditures on our part. We expect on average to open approximately 100 new international franchise locations each year over the next four to five years. We also plan to open approximately 35 company-owned stores in the United States in 2006 in order to expand our domestic presence. In addition, Rite Aid has committed to open 300 new store-within-a-store locations by the end of 2006. As of March 31, 2006, Rite Aid had opened 183 of these 300 new locations.

Internet Sales. We launched our www.gnc.com website in December 2005. Given our brand recognition, we believe there is significant opportunity to grow our revenue in this channel. In addition, our website acts as another advertising medium for us as well as a resource for consumers to educate themselves about the latest nutritional supplement trends and new product introductions.

Partnership Opportunities. We are exploring initiatives to partner with healthcare and wellness companies and other third parties to develop programs to market our products to employees for wellness and preventive healthcare purposes in an effort to reduce overall healthcare costs.

Business Overview

The following charts illustrate, for 2005, the percentage of our net revenue generated by our three business segments and the percentage of our net U.S. retail revenue generated by our product categories:

2005 Net Revenue by Segment **2005 Net Retail Revenue by Product Category**

For the three months ended March 31, 2006, net revenue by segment was Retail 76%, Franchise 16%, and Manufacturing/ Wholesale 8%. Net U.S. retail revenue by product category was VMHS 39%, Sports 35%, Diet 17%, and Other 9%. Throughout 2005 and the first quarter of 2006, we did not have any meaningful concentration of sales from any single product or product line. We believe this baseline of sales from which we now operate is a solid, recurring base from which we will continue to grow our revenues. Our sales trends in the first half of 2005 were impacted by a decline in diet products related to the slowdown of the low-carbohydrate diet trend. Excluding the diet category, we have generated positive same store sales for seven of the last nine quarters since the beginning of 2004.

Retail Locations

Our retail network represents the largest specialty retail store network in the nutritional supplements industry according to Nutrition Business Journal s Supplement Business Report 2005. As of March 31, 2006, there were 5,817 GNC store locations globally, including:

2,529 company-owned stores in the United States (all 50 states, the District of Columbia, and Puerto Rico);

132 company-owned stores in Canada;

1,123 domestic franchised stores;

873 international franchised stores in 45 countries; and

1,160 GNC store-within-a-store locations under our strategic alliance with Rite Aid Corporation.

Most of our company-owned and franchised U.S. stores are between 1,000 and 2,000 square feet and are located in shopping malls and strip centers. Our leading market position is a relatively unique phenomenon in specialty retailing as we have approximately nine times the domestic store base of our nearest U.S. specialty retail competitor.

Website. In December 2005 we also started selling products through our website, www.gnc.com. This additional sales channel has enabled us to market and sell our products in regions where we do not have retail operations or have limited operations. Some of the products offered on our website may not be available at our retail locations, thus enabling us to broaden the assortment of products available to our customers. The ability to purchase our products through the internet also offers a convenient method for repeat customers to evaluate and purchase new and existing products. To date, we believe that a majority of the sales generated by our website are incremental to the revenues from our retail locations.

Franchise Activities

We generate income from franchise activities primarily through product sales to franchisees, royalties on franchise retail sales, and franchise fees. To assist our franchisees in the successful operation of their stores and to protect our brand image, we offer a number of services to franchisees including training, site selection, construction assistance, and accounting services. We believe that our franchise program enhances our brand awareness and market presence and will enable us to expand our store base internationally with limited capital expenditures on our part. Over the last year, we realigned our franchise system with our corporate strategies and re-acquired or closed unprofitable or non-compliant franchised stores in order to improve the financial performance of the franchise system.

Store-within-a-Store Locations

To increase brand awareness and promote access to customers who may not frequent specialty nutrition stores, we entered into a strategic alliance in December 1998 with Rite Aid to open our GNC store-within-a-store locations. Through this strategic alliance, we generate revenues from fees paid by Rite Aid for new store-within-a-store openings, sales to Rite Aid of our products at wholesale prices, the manufacture of Rite Aid private label products, and retail sales of certain consigned inventory. In May 2004, we extended our alliance with Rite Aid through April 30, 2009, with Rite Aid s commitment to open

300 new store-within-a-store locations by December 31, 2006. As of March 31, 2006, Rite Aid had opened 183 of these 300 new store-within-a-store locations.

Marketing

We market our proprietary brands of nutritional products through an integrated marketing program that includes television, print, and radio media, storefront graphics, direct mailings to members of our Gold Card loyalty program, and point of purchase promotional materials.

Manufacturing and Distribution

With our technologically sophisticated manufacturing and distribution facilities supporting our retail stores, we are a vertically integrated producer and supplier of high-quality nutritional supplements. By controlling the production and distribution of our proprietary products, we can protect product quality, monitor delivery times, and maintain appropriate inventory levels.

Products

We offer a wide range of high-quality nutritional supplements sold under our GNC proprietary brand names, including Mega Men, Ultra Mega, Pro Performance, and Preventive Nutrition, and under nationally recognized third-party brand names. We operate in four major nutritional supplement categories: VMHS; sports nutrition products; diet products; and other wellness products. We offer an extensive mix of brands and products, including approximately 1,900 SKUs across multiple categories. This variety is designed to provide our customers with a vast selection of products to fit their specific needs. Sales of our proprietary brands at our company-owned stores represented approximately 47% of our net retail product revenues for 2005 and 44% for the first quarter of 2006.

Consumers may purchase a GNC Gold Card in any GNC store or at www.gnc.com for $15.00. A Gold Card allows a consumer to save 20% on all store and on-line purchases on the day the card is purchased and during the first seven days of every month for a year. Gold Card members also receive personalized mailings and e-mails with product news, nutritional information, and exclusive offers.

Products are delivered to our retail stores through our distribution centers located in Leetsdale, Pennsylvania; Anderson, South Carolina; and Phoenix, Arizona. Our distribution centers support our company-owned stores as well as franchised stores and Rite Aid locations. Our distribution fleet delivers our finished goods and third-party products through our distribution centers to our company-owned and domestic franchised stores on a weekly or biweekly basis depending on the sales volume of the store. Each of our distribution centers has a quality control department that monitors products received from our vendors to ensure quality standards.

Based on data collected from our point-of-sale systems, excluding certain required accounting adjustments of $0.4 million for 2003, $3.4 million for 2004, $3.0 million for 2005, $0.1 million for the first quarter of 2005, and $0.8 million for the first quarter of 2006, below is a comparison of our company-owned domestic store retail product sales by major product category and the percentages of our company-owned domestic store retail product sales for the periods shown:

	Year Ended December 31,			Three Months Ended March 31,	
U.S. Retail Product Categories (in dollars):	**2003(1)**	**2004**	**2005**	**2005**	**2006**
				(Unaudited)	
			(in millions)		
VMHS	$ 364.5	$ 362.6	$ 377.7	$ 99.2	$ 108.6
Sports Nutrition Products	300.2	293.2	330.3	80.3	98.0
Diet Products	265.6	193.1	135.2	39.7	45.8
Other Wellness Products	79.6	95.1	87.8	22.6	25.2

Total U.S. Retail Revenues	$ 1,009.9	$ 944.0	$ 931.0	$ 241.8	$ 277.6

	Year Ended December 31,			Three Months Ended March 31,	
U.S. Retail Product Categories (in percentages):	**2003(1)**	**2004**	**2005**	**2005**	**2006**
VMHS	36.1%	38.4%	40.6%	41.0%	39.1%
Sports Nutrition Products	29.7%	31.1%	35.5%	33.2%	35.3%
Diet Products	26.3%	20.5%	14.5%	16.4%	16.5%
Other Wellness Products	7.9%	10.0%	9.4%	9.4%	9.1%
Total U.S. Retail Revenues	100.0%	100.0%	100.0%	100.0%	100.0%

(1) This data is shown on a combined basis for comparability purposes and represents the sum of the period from January 1, 2003 through December 4, 2003 and the 27 days ended December 31, 2003.

Sales in the diet category declined significantly from 2003 to 2005 as a result of (1) our decision to cease selling ephedra and ephedra-related products in June 2003 and (2) a decrease in demand for low carbohydrate diet products. The percentage of our retail revenue generated by the sale of diet products for the 12 months ended March 31, 2006 is consistent with our historical norms. As a result, we believe we are not as dependent on any one product or product category and thus are better positioned for future growth.

VMHS

We sell vitamins and minerals in single vitamin and multi-vitamin form and in different potency levels. Our vitamin and mineral products are available in liquid, tablets, soft gelatin, and hard-shell capsules and powder forms. Many of our special vitamin and mineral formulations, such as Mega Men and Ultra Mega, are available only at GNC locations. In addition to our selection of VMHS products with unique formulations, we also offer the full range of standard alphabet vitamins. We sell herbal supplements in various solid dosage and soft gelatin capsules, tea, and liquid forms. We have consolidated our traditional herbal offerings under a single umbrella brand, Herbal Plus®. In addition to the Herbal Plus line, we offer a full line of whole food-based supplements and top selling herb and natural remedy products. Our target customers for VMHS products are women over the age of 35.

We also offer a variety of specialty products in our GNC and Preventive Nutrition product lines. These products emphasize third-party research and available literature regarding the positive benefits from certain ingredients. These offerings include products designed to provide nutritional support to specific areas of the body, such as joints, the heart and blood vessels, and the digestive system.

Sports Nutrition Products

Sports nutrition products are designed to be taken in conjunction with an exercise and fitness regimen. Our target consumer for sports nutrition products is the 18-49 year old male. We typically offer a broad selection of sports nutrition products, such as protein and weight gain powders, sports drinks, sports bars, and high potency vitamin formulations, including GNC brands such as Pro Performance and popular third-party products.

Diet Products

Diet products consist of various formulas designed to supplement the diet and exercise plans of weight conscious consumers. Our target consumer for diet products is the 18-49 year old female. We typically offer a variety of diet products, including pills, meal replacements, shakes, diet bars, and teas. Our retail stores offer our proprietary and third-party products suitable for different diet and weight management approaches, including low-carbohydrate and products designed to increase thermogenesis (a change in the body s metabolic rate measured in terms of calories) and metabolism. We also offer several diet products, including our Total Lean and our Body Answers™ product lines.

Table of Contents

Other Wellness Products

Other Wellness Products is a comprehensive category that consists of sales of our Gold Card preferred membership and sales of other nonsupplement products, including cosmetics, food items, health management products, books, and video tapes.

Product Development

We believe a key driver of customer traffic and purchases is the introduction of new products. According to the GNC 2005 Awareness Tracking Study Final Report commissioned by GNC from Parker Marketing Research, consumers surveyed rated the availability of new, innovative products as an emerging strength of our business. We identify changing customer trends through interactions with our customers and leading industry vendors to assist in the development, manufacturing, and marketing of our new products. We develop proprietary products independently and through the collaborative effort of our dedicated development team. During 2005, we targeted our product development efforts on sports nutrition products, condition specific products, and specialty vitamins.

Research and Development

We have an internal research and development group that performs scientific research on potential new products and enhancements to existing products, in part to assist our product development team in creating new products, and in part to support claims that may be made as to the purpose and function of the product.

Business Segments

We generate revenues from our three business segments, Retail, Franchise, and Manufacturing/Wholesale. The following chart outlines our business segments and the historical contribution to our consolidated revenues by those segments, after intercompany eliminations. For a description of operating income (loss) by business segment, our total assets by business segment, total revenues by geographic area, and total assets by geographic area, see the Segments note to our consolidated financial statements.

	Year Ended December 31,			Three Months Ended March 31,	
	2003(1)	2004	2005	2005	2006
				(Unaudited)	
			(in millions)		
Segment Revenues (in dollars):					
Retail	$ 1,059.5	$ 1,001.8	$ 989.4	$ 255.2	$ 294.9
Franchise	255.5	226.5	212.8	52.6	60.3
Manufacturing/ Wholesale	114.5	116.4	115.5	28.6	31.7
Total	$ 1,429.5	$ 1,344.7	$ 1,317.7	$ 336.4	$ 386.9

	Year Ended December 31,			Three Months Ended March 31,	
	2003(1)	2004	2005	2005	2006
Segment Revenues (in percentages):					
Retail	74.1%	74.5%	75.1%	75.9%	76.2%
Franchise	17.9%	16.8%	16.1%	15.6%	15.6%
Manufacturing/ Wholesale	8.0%	8.7%	8.8%	8.5%	8.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(1) This data is shown on a combined basis for comparability purposes and represents the sum of the period from January 1, 2003 through December 4, 2003 and the 27 days ended December 31, 2003.

Retail

Our Retail segment generates revenues primarily from sales of products to customers at our company-owned stores in the United States and Canada, and on December 28, 2005 we started selling products through our website, www.gnc.com.

Locations

As of March 31, 2006, we operated 2,661 company-owned stores across 50 states and in Canada, Puerto Rico, and Washington, D.C. Most of our U.S. company-owned stores are between 1,000 and 2,000 square feet and are located primarily in shopping malls and strip shopping centers. Traditional mall and strip center locations typically generate a large percentage of our total retail sales. With the exception of our downtown stores, all of our company-owned stores follow one of two consistent formats, one for mall locations and one for strip shopping center locations. Our store graphics are periodically redesigned to better identify with our GNC customers and provide product information to allow the consumer to make educated decisions regarding product purchases and usage. Our product labeling is consistent within our product lines and the stores are designed to present a unified approach to packaging with emphasis on added information for the consumer. As an on-going practice, we continue to reset and upgrade all of our company-owned stores to maintain a more modern and customer-friendly layout, while promoting our GNC Live Well theme.

Franchise

Our Franchise segment is comprised of our domestic and international franchise operations. Our Franchise segment generates revenues from franchise activities primarily through product sales to franchisees, royalties on franchise retail sales, and franchise fees.

As a means of enhancing our operating performance and building our store base, we began opening franchised locations in 1988. As of March 31, 2006, there were 1,996 franchised stores operating, including 1,123 stores in the United States and 873 stores operating in international locations. Approximately 88% of our franchised stores in the United States are in strip shopping centers and are typically between 1,000 and 1,800 square feet. The international franchised stores are typically smaller and, depending upon the country and cultural preferences, are located in mall, strip center, street, or store-within-a-store locations. Typically, our international stores have a store format and signage similar to our U.S. franchised stores. To assist our franchisees in the successful operation of their stores and to protect our brand image, we offer site selection, construction assistance, accounting services, and a three-part training program, which consists of classroom instruction and training in a company-owned location, both of which occur prior to the franchised store opening, and actual on-site training during the first week of operations of the franchised store. We believe we have good relationships with our franchisees, as evidenced by our franchisee renewal rate of over 93% between 2001 and 2005. We do not rely heavily on any single

Table of Contents

franchise operator in the United States, since the largest franchisee owns and/or operates 15 store locations.

All of our franchised stores in the United States offer both our proprietary products and third-party products, with a product selection similar to that of our company-owned stores. Our international franchised stores offer a more limited product selection than our franchised stores in the United States. Products are distributed to our franchised stores in the United States through our distribution centers and transportation fleet in the same manner as our company-owned stores.

Franchises in the United States

Revenues from our franchisees in the United States accounted for approximately 78% of our total franchise revenues for 2005. In 2005, new franchisees in the United States were required to pay an initial fee of $40,000 for a franchise license. Existing GNC franchise operators may purchase an additional franchise license for a $30,000 fee. We typically offer limited financing to qualified franchisees in the United States for terms up to five years. Once a store begins operations, franchisees are required to pay us a continuing royalty of 6% of sales and contribute 3% of sales to a national advertising fund. Our standard franchise agreements for the United States are effective for a ten-year period with two five-year renewal options. At the end of the initial term and each of the renewal periods, the renewal fee is generally 33% of the franchisee fee that is then in effect. The franchisee renewal option is at our election for all franchise agreements executed after December 1995. Our franchisees in the United States receive limited geographical exclusivity and are required to follow the GNC store format.

Franchisees must meet certain minimum standards and duties prescribed by our franchise operations manual and we conduct periodic field visit reports to ensure our minimum standards are maintained. Generally, we enter into a five-year lease with one five-year renewal option with landlords for our franchised locations in the United States. This allows us to secure space at cost-effective rates, which we sublease to our franchisees at cost. By subleasing to our franchisees, we have greater control over the location and have greater bargaining power for lease negotiations than an individual franchisee typically would have, and we can elect not to renew subleases for underperforming locations. If a franchisee does not meet specified performance and appearance criteria, the franchise agreement outlines the procedures under which we are permitted to terminate the franchise agreement. In these situations, we may take possession of the location, inventory, and equipment, and operate the store as a company-owned store or re-franchise the location. Our U.S. franchise agreements and operations in the United States are regulated by the FTC. See Government Regulation and Franchise Regulation.

International Franchises

Revenues from our international franchisees accounted for approximately 22% of our total franchise revenues for 2005. In 2005, new international franchisees were required to pay an average initial fee of approximately $20,000 for a franchise license for each store and on average continuing royalty fees of approximately 5%, with fees and royalties varying depending on the country and the store type. Our franchise program has enabled us to expand into international markets with limited capital expenditures. We expanded our international presence from 457 international franchised locations at the end of 2001 to 873 international locations as of March 31, 2006, without incurring any capital expenditures related to this expansion. We typically generate less revenue from franchises outside the United States due to lower international royalty rates and due to the franchisees purchasing a smaller percentage of products from us compared to our domestic franchisees.

Franchisees in international locations enter into development agreements with us for either full-size stores, a store-within-a-store at a host location, or wholesale distribution center operations. The development agreement grants the franchisee the right to develop a specific number of stores in a territory, often the entire country. The international franchisee then enters into a franchise agreement for each location. The full-size store franchise agreement has an initial ten-year term with two five-year renewal options. At the end of the initial term and renewal periods, the international franchisee has the option to renew the agreement at 33% of the franchise fee that is then in effect. Franchise agreements for international store-within-a-store locations have an initial term of five years, with two five-year renewal options. At the end of the initial term and each of the renewal periods, the international franchisee of a store-within-a-store location has the option to renew the agreement for 50% of the franchise fee that is then in effect. Our international franchisees often receive exclusive franchising rights to an entire country, excluding military bases. Our international franchisee must meet minimum standards and duties similar to our U.S. franchisees and our international franchise agreements, and international operations may be regulated by various country, local, and international laws. See Government Regulation and Franchise Regulation.

Manufacturing/ Wholesale

Our Manufacturing/ Wholesale segment is comprised of our manufacturing operations in South Carolina and Australia and our wholesale sales business. This segment supplies our Retail and Franchise segments as well as various third parties with finished products. Our Manufacturing/ Wholesale segment generates revenues through sales of manufactured products to third parties, and the sale of our proprietary and third-party brand products to Rite Aid and drugstore.com. Our wholesale operations, including our Rite Aid and drugstore.com wholesale operations, are supported primarily by our Anderson, South Carolina distribution center.

Manufacturing

Our technologically sophisticated manufacturing and warehousing facilities support our Retail and Franchise segments and enable us to control the production and distribution of our proprietary products, to better control costs, to protect product quality, to monitor delivery times, and to maintain appropriate inventory levels. We operate two main manufacturing facilities in the United States, one in Greenville, South Carolina and one in Anderson, South Carolina. We also operate a smaller facility in Australia. We utilize our plants in the United States primarily for the production of proprietary products. Our manufacturing operations are designed to allow low-cost production of a variety of products of different quantities, sizes, and packaging configurations while maintaining strict levels of quality control. Our manufacturing procedures are designed to promote consistency and quality in our finished goods. We conduct sample testing on raw materials and finished products, including weight, purity, and micro-bacterial testing. Our manufacturing facilities also service our wholesale operations, including the manufacture and supply of Rite Aid private label products for distribution to Rite Aid locations. We use our available capacity at these facilities to produce products for sale to third-party customers.

The principal raw materials used in the manufacturing process are natural and synthetic vitamins, herbs, minerals, and gelatin. We maintain multiple sources for the majority of our raw materials, with the remaining being single-sourced due to the uniqueness of the material. As of March 31, 2006, no one vendor supplied more than 10% of our raw materials. Our distribution fleet delivers raw materials and components to our manufacturing facilities and also delivers our finished goods and third-party products to our distribution centers.

Wholesale

Store-within-a-Store Locations

To increase brand awareness and promote access to customers who may not frequent specialty nutrition stores, we entered into a strategic alliance with Rite Aid to open GNC store-within-a-store locations. As of March 31, 2006, we had 1,160 store-within-a-store locations. Through this strategic alliance, we generate revenues from sales to Rite Aid of our products at wholesale prices, the manufacture of Rite Aid private label products, retail sales of certain consigned inventory, and license fees. We are Rite Aid s sole supplier for the PharmAssure® vitamin brand and a number of Rite Aid private label supplements. In May 2004, we extended our alliance with Rite Aid through April 30, 2009, with Rite

Aid s commitment to open 300 new store-within-a-store locations by December 31, 2006. As of March 31, 2006, Rite Aid had opened 183 of these 300 new store-within-a-store locations.

Distribution Agreement with drugstore.com

We have an internet distribution agreement with drugstore.com, inc.; its initial term expires in July 2009. Through this strategic alliance, drugstore.com was the exclusive internet retailer of our proprietary products, the PharmAssure® vitamin brand, and certain other nutritional supplements until June 2005, when this exclusive relationship terminated. This alliance allows us to access a larger base of customers, who may not otherwise live close to, or have the time to visit, a GNC store and provides an internet distribution channel in addition to www.gnc.com. We generate revenues from the distribution agreement with drugstore.com through sales of our proprietary and third-party products on a wholesale basis and through retail sales of certain other products on a consignment basis.

Employees

As of March 31, 2006, we had a total of 4,904 full-time and 7,736 part-time employees, of whom approximately 10,368 were employed in our Retail segment, 35 were employed in our Franchise segment, 1,152 were employed in our Manufacturing/ Wholesale segment, 476 were employed in corporate support functions, and 608 were employed in Canada. None of our employees belongs to a union or is a party to any collective bargaining or similar agreement. We consider our relationships with our employees to be good.

Competition

The U.S. nutritional supplements retail industry is a large, highly fragmented, and growing industry, with no single industry participant accounting for a majority of total industry retail sales. Competition is based primarily on price, quality, and assortment of products, customer service, marketing support, and availability of new products. In addition, the market is highly sensitive to the introduction of new products.

We compete with publicly owned and privately owned companies, which are highly fragmented in terms of geographical market coverage and product categories. We compete with other specialty retailers, supermarkets, drugstores, mass merchants, multi-level marketing organizations, mail-order companies, other internet sites, and a variety of other smaller participants. In addition, we believe that the market is highly sensitive to the introduction of new products, including various prescription drugs, which may rapidly capture a significant share of the market. In the United States, we compete with supermarkets, drugstores, and mass merchants with heavily advertised national brands manufactured by large pharmaceutical and food companies and other retailers. Most supermarkets, drugstores, and mass merchants have narrow product offerings limited primarily to simple vitamins and herbs and popular third-party diet products. Our international competitors also include large international pharmacy chains and major international supermarket chains as well as other large U.S.-based companies with international operations. Our wholesale and manufacturing operations also compete with other wholesalers and manufacturers of third-party nutritional supplements.

Trademarks and Other Intellectual Property

We believe trademark protection is particularly important to the maintenance of the recognized brand names under which we market our products. We own or have rights to material trademarks or trade names that we use in conjunction with the sale of our products, including the GNC brand name. We also rely upon trade secrets, know-how, continuing technological innovations, and licensing opportunities to develop and maintain our competitive position. We protect our intellectual property rights through a variety of methods, including trademark, patent, and trade secret laws, as well as confidentiality agreements and proprietary information agreements with vendors, employees, consultants, and others who have access to our proprietary information. Protection of our intellectual property often affords us the opportunity to enhance our position in the marketplace by precluding our competitors from using or otherwise exploiting our technology and brands. We are also a party to several intellectual property license agreements relating to certain of our products. For example, we are a party to license agreements entered into in connection with the Numico acquisition pursuant to which we license certain patent rights to Numico and Numico licenses to us specific patent rights and proprietary information. These license agreements generally continue in existence until the expiration of the licensed patent, if applicable, the licensee s election to terminate the agreement, or the mutual consent of the parties. The patents which we own generally have a term of 20 years from their filing date, although none of our owned or licensed patents are currently associated with a material portion of our business. The duration of our trademark registrations is generally 10, 15, or 20 years, depending on the country in which the marks are registered, and the registrations can be renewed by us. The scope and duration of our intellectual property protection varies throughout the world by jurisdiction and by individual product.

Properties

As of March 31, 2006, there were 5,817 GNC store locations globally. In our Retail segment, all but one of our company-owned stores are located on leased premises that typically range in size from 1,000 to 2,000 square feet. In our Franchise segment, substantially all of our franchised stores in the United States and Canada are located on premises we lease and then sublease to our respective franchisees. All of our franchised stores in 45 international markets are owned or leased directly by our franchisees. No single store is material to our operations.

As of March 31, 2006, our company-owned and franchised stores in the United States and Canada (excluding store-within-a-store locations) and our other international franchised stores consisted of:

United States and Canada	Company-Owned Retail	Franchise	Other International	Franchise
Alabama	31	13	Aruba	2
Alaska	6	5	Australia	42
Arizona	45	11	Bahamas	4
Arkansas	17	6	Bahrain	2
California	205	167	Bolivia	1
Colorado	51	25	Brazil	1
Connecticut	37	7	Brunei	2
Delaware	9	9	Cayman Islands	2
District of Columbia	6	2	Chile	69
Florida	210	111	China	1
Georgia	91	50	Colombia	4
Hawaii	20	1	Costa Rica	9
Idaho	8	5	Dominican Republic	12
Illinois	98	55	Ecuador	17
Indiana	48	30	El Salvador	8
Iowa	26	8	Guam	5
Kansas	17	15	Guatemala	20
Kentucky	37	10	Honduras	2
Louisiana	33	9	Hong Kong	23
Maine	8	0	India	2
Maryland	51	25	Indonesia	26
Massachusetts	54	10	Israel	16
Michigan	80	41	Japan	8
Minnesota	60	12	Korea	5
Mississippi	21	9	Lebanon	5

Table of Contents

United States and Canada	Company-Owned Retail	Franchise	Other International	Franchise
Missouri	40	21	Malaysia	29
Montana	4	3	Mexico	187
Nebraska	9	15	Oman	1
Nevada	13	9	Pakistan	3
New Hampshire	15	5	Panama	5
New Jersey	72	46	Peru	27
New Mexico	20	2	Philippines	42
New York	157	38	Qatar	2
North Carolina	96	31	Saudi Arabia	35
North Dakota	6	0	Singapore	66
Ohio	97	65	South Africa	1
Oklahoma	31	8	South Korea	58
Oregon	21	8	Taiwan	19
Pennsylvania	132	45	Thailand	29
Puerto Rico	23	0	Turkey	34
Rhode Island	12	1	UAE	6
South Carolina	29	23	Ukraine	2
South Dakota	5	0	Venezuela	31
Tennessee	43	28	U.S. Virgin Islands	3
Texas	209	76		
Utah	22	7		
Vermont	5	0		
Virginia	79	23		
Washington	47	20		
West Virginia	22	2		
Wisconsin	47	10		
Wyoming	4	1		
Canada	132	5		
Total	2,661	1,128	**Total**	868

In our Manufacturing/ Wholesale segment, we lease facilities for manufacturing, packaging, warehousing, and distribution operations. We manufacture a majority of our proprietary products at an approximately 300,000 square-foot facility in Greenville, South Carolina. We also lease an approximately 645,000 square-foot complex located in Anderson, South Carolina, for packaging, materials receipt, lab testing, warehousing, and distribution. Both the Greenville and Anderson facilities are leased on a long-term basis pursuant to fee-in-lieu-of-taxes arrangements with the counties in which the facilities are located, but we retain the right to purchase each of the facilities at any time during the lease for $1.00, subject to a loss of tax benefits. We lease a 210,000 square-foot distribution center in Leetsdale, Pennsylvania and a 112,000 square-foot distribution center in Phoenix, Arizona. We also lease space at a distribution center in Canada. We conduct additional manufacturing for wholesalers and retailers of third-party products, as well as warehouse certain third-party products at a leased facility located in New South Wales, Australia.

We lease four small regional sales offices in Clearwater, Florida; Fort Lauderdale, Florida; Tusin, California; and Mississauga, Ontario. None of the regional sales offices is larger than 5,000 square feet. Our 253,000 square-foot corporate headquarters in Pittsburgh, Pennsylvania, is owned by Gustine Sixth

Table of Contents

Avenue Associates, Ltd., a Pennsylvania limited partnership, of which General Nutrition, Incorporated, one of our subsidiaries, is a limited partner entitled to share in 75% of the partnership s profits or losses.

The partnership s ownership of the land and buildings, and the partnership s interest in the ground lease to General Nutrition, Incorporated, are all encumbered by a mortgage in the original principal amount of $17.9 million, with an outstanding balance of $11.9 million as of March 31, 2006. This partnership is included in our consolidated financial statements.

Insurance and Risk Management

We purchase insurance to cover standard risks in the nutritional supplements industry, including policies to cover general products liability, workers compensation, auto liability, and other casualty and property risks. Our insurance rates are dependent upon our safety record as well as trends in the insurance industry. We also maintain workers compensation insurance and auto insurance policies that are retrospective in that the cost per year will vary depending on the frequency and severity of claims in the policy year. Prior to the Numico acquisition, we were covered by some of Numico s insurance policies. Following the completion of the Numico acquisition, we obtained our own insurance policies to replace those Numico policies, including policies for general product liability. We currently maintain product liability insurance and general liability insurance.

We face an inherent risk of exposure to product liability claims in the event that, among other things, the use of products sold by GNC results in injury. With respect to product liability coverage, we carry insurance coverage typical of our industry and product lines. Our coverage involves self-insured retentions with primary and excess liability coverage above the retention amount. We have the ability to refer claims to most of our vendors and their insurers to pay the costs associated with any claims arising from such vendors products. In most cases, our insurance covers such claims that are not adequately covered by a vendor s insurance and provides for excess secondary coverage above the limits provided by our product vendors.

We self-insure certain property and casualty risks due to our analysis of the risk, the frequency and severity of a loss, and the cost of insurance for the risk. We believe that the amount of self-insurance is not significant and will not have an adverse impact on our performance. In addition, we may from time to time self-insure liability with respect to specific ingredients in products that we may sell.

Legal Proceedings

We are engaged in various legal actions, claims, and proceedings arising out of the normal course of business, including claims related to breach of contracts, product liabilities, intellectual property matters, and employment-related matters resulting from our business activities. As is inherent with most actions such as these, an estimation of any possible and/or ultimate liability cannot always be determined. We continue to assess our requirement to account for additional contingencies in accordance with SFAS No. 5, Accounting for Contingencies. We believe that the amount of any potential liability resulting from these actions, when taking into consideration our general and product liability coverage, including indemnification obligations of third-party manufacturers, and the indemnification provided by Numico under the purchase agreement entered into in connection with the Numico acquisition, will not have a material adverse impact on our financial position, results of operations, or liquidity. However, if we are required to make a payment in connection with an adverse outcome in these matters, it could have a material impact on our financial condition and operating results.

As a manufacturer and retailer of nutritional supplements and other consumer products that are ingested by consumers or applied to their bodies, we have been and are currently subjected to various product liability claims. Although the effects of these claims to date have not been material to us, it is possible that current and future product liability claims could have a material adverse impact on our financial condition and operating results. We currently maintain product liability insurance with a deductible/retention of $1.0 million per claim with an aggregate cap on retained loss of $10.0 million. We typically seek and have obtained contractual indemnification from most parties that supply raw materials for our products or that manufacture or market products we sell. We also typically seek to be added, and have been added, as additional insured under most of such parties insurance policies. We are also entitled to indemnification by Numico for certain losses arising from claims related to products containing ephedra or Kava Kava sold prior to December 5, 2003. However, any such indemnification or insurance is limited by its terms, and any such indemnification, as a practical matter, is limited to the creditworthiness of the indemnifying party and its insurer and by the absence of significant defenses by the insurers. We may incur material products liability claims, which could increase our costs and adversely affect our reputation, revenues, and operating income.

Ephedra (Ephedrine Alkaloids). As of December 31, 2005 and March 31, 2006, we had been named as a defendant in 227 pending cases involving the sale of third-party products that contain ephedra. Of those cases, one involves a proprietary GNC product. Ephedra products have been the subject of adverse publicity and regulatory scrutiny in the United States and other countries relating to alleged harmful effects, including the deaths of several individuals. In early 2003, we instructed all of our locations to stop selling products containing ephedra that were manufactured by GNC or one of its affiliates. Subsequently, we instructed all of our locations to stop selling any products containing ephedra by June 30, 2003. In April 2004, the FDA banned the sale of products containing ephedra. All claims to date have been tendered to the third-party manufacturer or to our insurer, and we have incurred no expense to date with respect to litigation involving ephedra products. Furthermore, we are entitled to indemnification by Numico for certain losses arising from claims related to products containing ephedra sold prior to December 5, 2003. All of the pending cases relate to products sold prior to such time and, accordingly, we are entitled to indemnification from Numico for all of the pending cases.

Pro-Hormone/ Androstenedione Cases. We are currently defending against certain class action lawsuits (the Andro Actions) relating to the sale by GNC of certain nutritional products alleged to contain the ingredients commonly known as Androstenedione, Androstenediol, Norandrostenedione, and Norandrostenediol (collectively, Andro Products). In each case, plaintiffs seek to certify a class and obtain damages on behalf of the class representatives and all those similarly-situated who purchased certain nutritional supplements from us alleged to contain Andro Products. The original state court proceedings for the Andro Actions include the following:

Harry Rodriguez v. General Nutrition Companies, Inc. (previously pending in the Supreme Court of the State of New York, New York County, New York, Index No. 02/126277). Plaintiffs filed this putative class action on or about July 25, 2002. The Second Amended Complaint, filed thereafter on or about December 6, 2002, alleged claims for unjust enrichment, violation of General Business Law § 349 (misleading and deceptive trade practices), and violation of General Business Law § 350 (false advertising). On July 2, 2003, the court granted part of our motion to dismiss and dismissed the unjust enrichment cause of action. On January 4, 2006, the court conducted a hearing on our motion for summary judgment and plaintiffs motion for class certification, both of which remain pending.

Everett Abrams v. General Nutrition Companies, Inc. (previously pending in the Superior Court of New Jersey, Mercer County, New Jersey, Docket No. L-3789-02). Plaintiffs filed this putative class action on or about July 25, 2002. The Second Amended Complaint, filed thereafter on or about December 20, 2002, alleged claims for false and deceptive marketing and omissions and violations of the New Jersey Consumer Fraud Act. On November 18, 2003, the court signed an order dismissing plaintiff s claims for affirmative misrepresentation and sponsorship with prejudice. The claim for knowing omissions remains pending.

Shawn Brown, Ozan Cirak, Thomas Hannon, and Luke Smith v. General Nutrition Companies, Inc. (previously pending in the 15th Judicial Circuit Court, Palm Beach County, Florida, Index. No. CA-02-14221AB). Plaintiffs filed this putative class action on or about July 25, 2002. The Second Amended Complaint, filed thereafter on or about November 27, 2002, alleged claims for violations of the Florida Deceptive and Unfair Trade Practices Act, unjust enrichment, and violation of Florida Civil Remedies for Criminal Practices Act. These claims remain pending.

[Table of Contents](#)

Abrams, et al. v. General Nutrition Companies, Inc., et al. (previously pending in the Common Pleas Court of Philadelphia County, Philadelphia, Class Action No. 02-703886). Plaintiffs filed this putative class action on or about July 25, 2002. The Amended Complaint, filed thereafter on or about April 8, 2003, alleged claims for violations of the Unfair Trade Practices and Consumer Protection Law, and unjust enrichment. The court denied the plaintiffs motion for class certification, and that order has been affirmed on appeal. Plaintiffs thereafter filed a petition in the Pennsylvania Supreme Court asking that the court consider an appeal of the order denying class certification. The Pennsylvania Supreme Court has not yet ruled on the petition.

David Pio and Ty Stephens, individually and on behalf of all others similarly situated v. General Nutrition Companies, Inc. (previously pending in the Circuit Court of Cook County, Illinois, County Department, Chancery Division, Case No. 02-CH-14122). Plaintiffs filed this putative class action on or about July 25, 2002. The Amended Complaint, filed thereafter on or about April 4, 2004, alleged claims for violations of the Illinois Consumer Fraud Act, and unjust enrichment. The motion for class certification was stricken, but the court afforded leave to the Plaintiffs to file another motion. Plaintiffs have not yet filed another motion.

Santiago Guzman, individually, on behalf of all others similarly situated, and on behalf of the general public v. General Nutrition Companies, Inc. (previously pending on the California Judicial Counsel Coordination Proceeding No. 4363, Los Angeles County Superior Court). Plaintiffs filed this putative class action on or about February 17, 2004. The Amended Complaint, filed on or about May 26, 2005, alleged claims for violations of the Consumers Legal Remedies Act, violation of the Unfair Competition Act, and unjust enrichment. These claims remain pending.

On April 17 and 18, 2006, we filed pleadings seeking to remove each of the Andro Actions to the respective federal district courts for the districts in which the respective Andro Actions are pending. At the same time, we filed motions seeking to transfer each of the Andro Actions to the United States District Court for the Southern District of New York so that they may be consolidated with the recently-commenced bankruptcy case of MuscleTech Research and Development, Inc. and certain of its affiliates, which is currently pending in the Superior Court of Justice, Ontario, Canada under the *Companies Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, Case No. 06-CL-6241, with a related proceeding styled *In re MuscleTech Research and Development, Inc., et al.*, Case No. 06 Civ 538 (JSR) and pending in district court in the Southern District of New York pursuant to chapter 15 of title 11 of the United States Code. We believe that the pending Andro Actions are related to MuscleTech s bankruptcy case by virtue of the fact that MuscleTech is contractually obligated to indemnify us for certain liabilities arising from the standard product indemnity stated in our purchase order terms and conditions or otherwise under state law. Our requests to remove, transfer, and consolidate the Andro Actions to federal court are pending before the respective federal district courts.

Based upon the information available to us at the present time, we believe that these matters will not have a material adverse effect upon our liquidity, financial condition, or results of operations. As any liabilities that may arise from this case are not probable or reasonably estimable at this time, no liability has been accru