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

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As filed with the Securities and Exchange Commission on July 7, 2006.
Registration Statement No. 333-134710

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

Amendment No. 1
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

CALCULATION OF REGISTRATION FEE

	Proposed Maximum Aggregate Offering Price(1)(2)	**Amount of Registration Fee**
Common Stock $0.01 par value	$400,000,000	$42,800

(1) Includes shares that the underwriters have the option to purchase to cover overallotments, if any.

(2) Estimated solely for the purposes of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

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.

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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 July , 2006

PROSPECTUS

Shares
GNC Corporation
Common Stock

This is GNC Corporation s initial public offering of its common stock. We are selling shares and 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 will apply 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 $ and $ 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 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**

The date of this prospectus is , 2006

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[Inside front cover and back cover]
[Map of our locations]
[Photographs of our target customers, pursuing healthy lifestyles]
[Photographs of our operations, including stores, manufacturing facilities, and distribution centers]
[Screen shot of www.gnc.com]
[Photographs of our private brand products]

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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.

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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. Unless the context requires otherwise, we, us, our, and GNC refer to GNC Corporation and its subsidiaries and, for periods prior to December 5, 2003, our predecessor. See Business Corporate History. 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.

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 (VMHS), 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.

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.

Industry Overview

We operate primarily 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 rate of 4% per year for at least the next five years. Our industry is also highly fragmented, which we believe allows larger 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, including:

- a broader consumer awareness of health and wellness issues given the desire to live longer, healthier lives;

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- an aging U.S. population, as evidenced by the increasing number of Americans over the age of 65, with higher levels of disposable income;

- rising healthcare costs, which we believe will drive increased use of preventive measures including nutritional supplements; and

- the growing number of fitness-oriented consumers, at increasingly younger ages, who demand 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.

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.

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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**

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 other 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.

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.

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. We also have a worldwide network of over 1,000 locations in 45 other countries.

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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 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 owned approximately % of our fully diluted common stock.

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.

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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.

Risks Related to Our Business and Strategy

Despite the competitive strengths described above, there are a number of risks and uncertainties that may affect our financial and operating performance and our ability to execute our 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.

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	shares
Common stock offered by GNC Corporation	shares
Common stock offered by the selling stockholders	shares
Underwriters option to purchase additional shares from the selling stockholders in this offering	shares
Common stock outstanding after this offering	shares
Voting rights	One vote per share
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately $ 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 $ change in the per share offering price would change net proceeds to us by approximately $ 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 29,621,538 shares outstanding as of May 31, 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 $ per share, the midpoint of the range on the cover of this prospectus;
- excludes 2,828,360 shares of common stock subject to outstanding stock options with a weighted average exercise price of $6.23 per share; and
- excludes 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 -for- split of shares of our common stock to be effected before the completion of this offering; and

does not take into account the sale of up to shares of our common stock that the underwriters have the option to purchase from the selling stockholders.

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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	$
Working capital(6)	265.0	
Total assets	1,022.2	
Total current and non-current long-term debt	472.8	
Cumulative redeemable exchangeable preferred stock	131.0	
Total stockholders equity	169.7	

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(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

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.

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(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 shares of our common stock offered hereby at an initial public offering price of $ 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 with cash on hand of a dividend totaling $ million to our common stockholders of record before the offering. See Use of Proceeds, Dividend Policy, and Capitalization.

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

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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. 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 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.

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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 several management changes. In December 2004, our then Chief Executive Officer resigned. In 2005, five of our then key officers resigned, 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. Effective April 17, 2006, our Chief Operating Officer resigned, although he continues to serve as Merchandising Counselor, and we appointed a new Chief Merchandising Officer. Effective April 28, 2006, the new Chief Merchandising Officer resigned. We instituted many of the recent management changes in order to execute the strategic initiatives in 2005 to enhance our business and reposition our operations for stronger future performance. 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 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

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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.

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.

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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, % of our common stock, or % 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 2,100,000 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 % of our common stock, or % if the underwriters exercise their overallotment option in full. In addition, so long as Apollo Funds V own at least 2,100,000 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 also plan to declare a dividend totaling $ 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. 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 shares of common stock outstanding. The shares sold in this offering, or 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

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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
	On the date of this prospectus
	180 days after the date of this prospectus, although all but 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 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 in this offering will:

- pay a price per share that substantially exceeds the value of our assets after subtracting liabilities; and
- contribute % of the total amount invested to fund our company, but will own only % of the shares of common stock outstanding after this offering and the use of proceeds from the offering.

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

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incorporation and by-laws will, upon completion of this offering, 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.

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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.

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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.

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USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately $ million, based on an assumed initial public offering price of $ per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses. 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. 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 also plan to declare a dividend totaling $ million to our common stockholders of record before the offering. The dividend declaration will be 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.

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CAPITALIZATION

The following table sets forth our capitalization as of March 31, 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 to our common stockholders of record before the offering of a dividend totaling $ million.

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 March 31, 2006	
	Actual	**As Adjusted**
	(Unaudited) (In millions, except share data)	
Cash and cash equivalents(1)	$ 44.3	$
Long-term debt (including current maturities):		
Senior credit facility(2)	$ 95.9	$
Mortgage and capital leases	11.9	
Senior notes	150.0	
Senior subordinated notes	215.0	
Total long-term debt	472.8	
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)	131.0	
Stockholders equity:		
Common stock, $0.01 par value; 100,000,000 shares authorized, 29,621,538 shares issued and outstanding, actual; 100,000,000 shares authorized, shares issued and outstanding, as adjusted	0.3	
Paid-in-capital	128.3	
Retained earnings(1)	40.5	
Accumulated other comprehensive income	0.6	
Total stockholders equity	169.7	
Total capitalization	$ 773.5	$

(1)

We plan to declare a dividend totaling $ million to our common stockholders of record immediately before the offering, which will be paid with cash on hand after completion of the offering.

(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.

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DILUTION

At March 31, 2006, the net tangible book value of our common stock was approximately $ million, or approximately $ 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 $ 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 to our common stockholders of record before the offering of a dividend totaling $ million, the as adjusted net tangible book value at March 31, 2006 attributable to common stockholders would have been approximately $ million, or approximately $ per share of our common stock. This represents a net increase in net tangible book value of $ per existing share and an immediate dilution in net tangible book value of $ per share to new stockholders. The following table illustrates this per share dilution to new stockholders:

Assumed initial public offering price per share		$
Net tangible book value per share as of March 31, 2006	$	
Increase per share attributable to this offering	$	
As adjusted net tangible book value per share after this offering		$
Dilution per share to new stockholders		$

The table below summarizes, as of March 31, 2006, the differences for (1) our existing stockholders and (2) 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	Percentage	
Existing stockholders		%		%	
New stockholders in this offering		%		%	
Total					

The foregoing discussion and tables assumes no exercise of stock options to purchase 2,828,360 shares of our common stock subject to outstanding stock options with a weighted average exercise price of $6.23 per share as of March 31, 2006 and exclude 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.

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The unaudited pro forma consolidated statements of operations for the year ended December 31, 2005 and for the three months ended March 31, 2006 give effect to this offering and the application of the net proceeds as described under Use of Proceeds as if the offering had been consummated on January 1, 2005. The unaudited pro forma consolidated balance sheet as of March 31, 2006 gives effect to this offering and the application of the net proceeds as set forth under Use of Proceeds as if this offering occurred on such date.

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 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 including the notes thereto included elsewhere in this prospectus.

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(1)	As Adjusted 2005
	(In thousands, except share data)		
Revenues	$ 1,317,708	$	$
Cost of sales, including costs of warehousing, distribution and occupancy	898,740		
Gross profit	418,968		
Compensation and related benefits	228,626		
Advertising and promotion	44,661		
Other selling, general and administrative	76,532		
Other income	(3,055)		
Operating income	72,204		
Interest expense, net	43,078		
Income before income taxes	29,126		
Income tax expense	10,730		
Net income	$ 18,396	$	$
Income per share Basic and Diluted:			
Net income	$ 18,396	$	$
Cumulative redeemable exchangeable preferred stock dividends and accretion	(14,381)	$	$
Net income available for common stockholders	$ 4,015	$	$
Earnings per share			

Basic	$	0.14
Diluted	$	0.13
Weighted average shares		
Basic		29,645,872
Diluted		30,225,309

(1) Reflects adjustments attributable to this offering and the application of the net proceeds to us as described under Use of Proceeds , and corresponding elimination of the preferred stock dividend and accretion.

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GNC CORPORATION AND SUBSIDIARIES
Unaudited Pro Forma Consolidated Statement of Operations
For the three months ended March 31, 2006

Statement of Income Data	Historical 2006	Offering Adjustments 2006(1)	As Adjusted 2006
	(In thousands, except share data)		
Revenues	$ 386,892	$	$
Cost of sales, including costs of warehousing, distribution and occupancy	256,872		
Gross profit	130,020		
Compensation and related benefits	65,852		
Advertising and promotion	15,839		
Other selling, general and administrative	21,063		
Other income	(588)		
Operating income	27,854		
Interest expense, net	9,676		
Income before income taxes	18,178		
Income tax expense	6,743		
Net income	$ 11,435	$	$
Income per share Basic and Diluted:			
Net income	$ 11,435	$	$
Cumulative redeemable exchangeable preferred stock dividends and accretion	(3,867)		
Net income available for common stockholders	$ 7,568	$	$
Earnings per share			
Basic	$ 0.26		
Diluted	$ 0.25		
Weighted average shares			
Basic	29,551,413		
Diluted	30,003,954		

(1) Reflects adjustments attributable to this offering and the application of the net proceeds to us as described under Use of Proceeds , and corresponding elimination of the preferred stock dividend and accretion.

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GNC CORPORATION AND SUBSIDIARIES
Unaudited Pro Forma Consolidated Balance Sheet
As of March 31, 2006

	Historical	Offering Adjustments(1)	As Adjusted
	(Unaudited)		
	(In thousands, except share data)		
Current assets:			
Cash and cash equivalents	$ 44,290	$	$
Receivables, net of reserve of $7,493	77,007		
Inventories, net	339,928		
Deferred tax assets, net	13,859		
Other current assets	30,005		
Total current assets	505,089		
Long-term assets:			
Goodwill	80,588		
Brands	212,000		
Other intangible assets, net	25,965		
Property, plant and equipment, net	174,705		
Deferred financing fees, net	15,390		
Deferred tax assets, net	45		
Other long-term assets	8,399		
Total long-term assets	517,092		
Total assets	$ 1,022,181	$	$
Current liabilities:			
Accounts payable, includes cash overdraft of $5,219	$ 130,607	$	$
Accrued payroll and related liabilities	20,532		
Accrued income taxes	8,830		
Accrued interest	9,181		
Current portion, long-term debt	2,133		
Other current liabilities	68,831		
Total current liabilities	240,114		
Long-term liabilities:			
Long-term debt	470,710		
Other long-term liabilities	10,679		
Total long-term liabilities	481,389		
Total liabilities	721,503		
Cumulative redeemable exchangeable preferred stock, $0.01 par value, 110,000 shares authorized, 100,000 shares issued and	130,982		

outstanding (liquidation preference of $140,183), actual; shares outstanding (liquidation preference of $), as adjusted			
Stockholders equity:			
Common stock, $0.01 par value, 100,000,000 shares authorized, 29,546,538 shares issued and outstanding, actual; shares issued and outstanding as adjusted	296		
Paid-in-capital	128,289		
Retained earnings	40,507		
Accumulated other comprehensive income	604		
Total stockholders equity	169,696		
Total liabilities and stockholders equity	$ 1,022,181	$	$

(1) Adjusted to reflect (a) the sale by us of shares of our common stock offered hereby at an initial public offering price of per share and the application of the estimated net proceeds to us from this offering of $ million, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, and (b) the payment after completion of the offering with cash on hand of a dividend totaling million to our common stockholders of record before the offering. See Use of Proceeds, Dividend Policy , and Capitalization .

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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 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 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.

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	Predecessor			Successor			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
							(Unaudited)	
	(Dollars in millions, except share data)							
tatement of ncome Data:								
evenues:								
Retail	$ 1,123.1	$ 1,068.6	$ 993.3	$ 66.2	$ 1,001.8	$ 989.4	$ 255.2	$ 294.9
Franchising	273.1	256.1	241.3	14.2	226.5	212.8	52.6	60.3
Manufacturing/ Wholesale	112.9	100.3	105.6	8.9	116.4	115.5	28.6	31.7
otal revenue	1,509.1	1,425.0	1,340.2	89.3	1,344.7	1,317.7	336.4	386.9
ost of sales, ncluding costs f warehousing, istribution and ccupancy	1,013.3	969.9	934.9	63.6	895.2	898.7	230.4	256.9
Gross profit	495.8	455.1	405.3	25.7	449.5	419.0	106.0	130.0
Compensation and related benefits	246.6	245.2	235.0	16.7	230.0	228.6	57.3	65.9
Advertising and promotion	41.9	52.1	38.4	0.5	44.0	44.7	14.6	15.8
Other selling, general and administrative	140.7	86.0	70.9	5.1	73.8	76.6	18.9	21.0
ther (income) xpense(1)	(3.4)	(211.3)	(10.1)		1.0	(3.1)	(2.6)	(0.6
mpairment of oodwill and ntangible ssets(2)		222.0	709.4					
Operating income (loss)	70.0	61.1	(638.3)	3.4	100.7	72.2	17.8	27.9
Interest expense, net	140.0	136.3	121.1	2.8	34.5	43.1	13.5	9.7
		(5.0)						

Gain on sale of marketable securities															
(Loss) income before income taxes		(70.0)		(70.2)		(759.4)		0.6		66.2		29.1		4.3	18.2
Income tax (benefit) expense		(14.1)		1.0		(174.5)		0.2		24.5		10.7		1.6	6.8
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
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
Basic and Diluted (Loss) Income Per Share:															
Net (loss) income	$	(55.9)	$	(960.9)	$	(584.9)	$	0.4	$	41.7	$	18.4	$	2.7	$ 11.4
Cumulative redeemable exchangeable preferred stock dividends and accretion								(0.9)		(12.7)		(14.4)		(3.4)	(3.8)
Net (loss) income available to common shareholders	$	(55.9)	$	(960.9)	$	(584.9)	$	(0.5)	$	29.0	$	4.0	$	(0.7)	$ 7.6
Net (loss) earnings per share from continuing operations before	$	(1.88)	$	(2.40)	$	(19.78)	$	(0.02)	$	0.97	$	0.14	$	(0.02)	$ 0.26

umulative effect of ccounting hange								
oss per share rom cumulative ffect of ccounting hange		(30.09)						
et (loss) arnings per hare	$ (1.88)	$ (32.33)	$ (19.78)	$ (0.02)	$ 0.97	$ 0.14	$ (0.02)	$ 0.26
Veighted verage number f shares utstanding:(4)								
Basic	29,566,666	29,566,666	29,566,666	29,566,666	29,819,090	29,645,872	29,752,552	29,551,413
Diluted	29,566,666	29,566,666	29,566,666	29,566,666	29,819,090	30,225,309	29,752,552	30,003,954

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	Predecessor			Successor			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
							(Unaudited)	
	(Dollars in millions, except share data)							
Balance Sheet Data (at end of period):								
Cash and cash equivalents	$ 16.3	$ 38.8	$ 9.4	$ 33.2	$ 85.2	$ 86.0	$ 77.8	$ 44.3
Working capital(5)	$ 140.8	$ 153.6	$ 96.2	$ 199.6	$ 282.1	$ 297.0	$ 263.9	$ 265.0
Total assets	$ 3,071.8	$ 1,878.3	$ 1,038.1	$ 1,024.9	$ 1,031.3	$ 1,023.8	$ 1,032.2	$ 1,022.2
Total current and non-current long-term debt	$ 1,883.8	$ 1,840.1	$ 1,747.4	$ 514.2	$ 510.4	$ 473.4	$ 474.9	$ 472.8
Cumulative redeemable exchangeable preferred stock				$ 100.5	$ 112.7	$ 127.1	$ 116.2	$ 131.0
Stockholders equity (deficit)	$ 469.0	$ (493.8)	$ (1,077.1)	$ 177.3	$ 208.3	$ 212.1	$ 206.9	$ 169.7
Other Data:								
Net cash provided by operating activities	$ 75.8	$ 111.0	$ 92.9	$ 4.7	$ 83.5	$ 64.2	$ 35.5	$ 12.5
Net cach used in investing activities	$ (48.1)	$ (44.5)	$ (31.5)	$ (740.0)	$ (27.0)	$ (21.5)	$ (4.9)	$ (3.8)
Net cash (used in) provided by financing activities	$ (21.6)	$ (44.3)	$ (90.8)	$ 759.2	$ (4.5)	$ (41.7)	$ (37.9)	$ (50.4)
EBITDA(6)	$ 192.0	$ (765.5)	$ (579.2)	$ 5.7	$ 139.5	$ 113.2	$ 27.9	$ 37.5
Capital expenditures(7)	$ 29.2	$ 51.9	$ 31.0	$ 1.8	$ 28.3	$ 20.8	$ 4.4	$ 3.7
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
Franchised stores(8)	1,821	1,909	1,978	2,009	2,036	2,014	2,034	1,996

Store-within-a-store locations(8)	780	900	988	988	1,027	1,149	1,043	1,160
Same store sales growth:(9)								
Domestic Company-owned	1.7%	(6.6)%	(0.4)%		(4.1)%	(1.5)%	(7.8)%	14.5%
Domestic franchised	2.2%	(3.7)%	(0.6)%		(5.5)%	(5.4)%	(9.0)%	6.8%

(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 and the three months ended March 31, 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.

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(4) We have reflected the weighted average common shares outstanding of our predecessor to be the number of shares outstanding of our successor for the comparable period. The actual weighted average common shares outstanding for our predecessor for the periods ended December 31, 2001, 2002, and December 4, 2003 was 1,000 shares.

(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 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		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

								(Unaudited)
				(Dollars in millions)				
Net (loss) income	$ (55.9)	$ (960.9)	$ (584.9)	$ 0.4	$ 41.7	$ 18.4	$ 2.7	$ 11.4
Interest expense, net	140.0	136.3	121.1	2.8	34.5	43.1	13.5	9.7
Income tax (benefit) expense	(14.1)	1.0	(174.5)	0.2	24.5	10.7	1.6	6.8
Depreciation and amortization	122.0	58.1	59.1	2.3	38.8	41.0	10.1	9.6
EBITDA(a)	$ 192.0	$ (765.5)	$ (579.2)	$ 5.7	$ 139.5	$ 113.2	$ 27.9	$ 37.5

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

	Predecessor				Successor		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
							(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
Cash paid for interest (excluding deferred financing fees)	145.6	138.0	122.5	0.7	32.7	32.7	2.2	8.6
Cash paid for taxes	15.2	30.7	2.5		5.1	2.9	0.3	0.2
Increase (decrease) in accounts receivable	1.1	127.3	(59.9)	(2.9)	(5.3)	4.4	0.3	7.4
(Decrease) increase in inventory	(71.5)	(22.2)	(29.0)	(3.8)	15.1	23.9	20.9	41.3
Decrease (increase) in accounts payable	48.2	(18.8)	3.3	5.3	(3.9)	2.9	(26.2)	(25.8)
(Decrease) increase in other assets	(6.9)	(17.2)	4.1	9.7	(16.6)	(12.1)	(6.7)	(2.4)
(Increase) decrease in other liabilities	(15.5)	(7.7)	(6.2)	(8.0)	28.9	(5.7)	1.6	(4.3)
Loss from cumulative effect of accounting change, net of tax		(889.7)						

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

(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 (i) 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, and (ii) a management fee paid to Apollo Management V of $0.4 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.

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

	Predecessor			Successor			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
							(Unaudited)	
Company-owned Stores								
Beginning of period	2,842	2,960	2,898	2,757	2,748	2,642	2,642	2,650
Store openings(a)	220	117	80	4	82	137	32	40
Store closings	(102)	(179)	(221)	(13)	(188)	(129)	(30)	(29)
End of period	2,960	2,898	2,757	2,748	2,642	2,650	2,644	2,661
Franchised Stores								
Domestic								
Beginning of period	1,396	1,364	1,352	1,352	1,355	1,290	1,290	1,156
Store openings	137	82	98	5	31	17	3	2
Store closings	(169)	(94)	(98)	(2)	(96)	(151)	(32)	(35)
End of period	1,364	1,352	1,352	1,355	1,290	1,156	1,261	1,123
International								
Beginning of period	322	457	557	626	654	746	746	858
Store openings	154	100	88	28	115	132	34	48
Store closings	(19)		(19)		(23)	(20)	(7)	(33)
End of period	457	557	626	654	746	858	773	873
Store-within-a-Store Locations								
Beginning of period	544	780	900	988	988	1,027	1,027	1,149
Location openings	237	131	93		44	130	17	11
Location closings	(1)	(11)	(5)		(5)	(8)	(1)	
End of period	780	900	988	988	1,027	1,149	1,043	1,160

Total locations	5,561	5,707	5,723	5,745	5,705	5,813	5,721	5,817

(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.

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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 reverse 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,