UGI CORP /PA/
Form DEF 14A
December 20, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

UGI Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Notice of Annual Meeting

and Proxy Statement

Annual Meeting of Shareholders

Wednesday, January 30, 2019

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BOX 858 VALLEY FORGE, PA 19482 610-337-1000

MARVIN O. SCHLANGER

Chairman

December 20, 2018

Dear Shareholder,

On behalf of our entire Board of Directors, I cordially invite you to attend our Annual Meeting of Shareholders on Wednesday, January 30, 2019. At the meeting, we will review UGI s performance for the 2018 fiscal year and our expectations for the future.

I would like to take this opportunity to remind you that your vote is important. On December 20, 2018, we mailed our shareholders a notice containing instructions on how to access our proxy statement and annual report for the 2018 fiscal year and how to vote online. Please read the proxy materials and take a moment now to vote online or by telephone as described in the proxy voting instructions. Of course, if you received these proxy materials by mail, you may also vote by completing the proxy card and returning it by mail.

I look forward to seeing you on January 30th and addressing your questions and comments.

Sincerely,

Marvin O. Schlanger

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BOX 858 VALLEY FORGE, PA 19482 610-337-1000

December 20, 2018

NOTICE OF

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of UGI Corporation will be held on Wednesday, January 30, 2019, at 10:00 a.m. Eastern Standard Time, at The Desmond Malvern, Ballrooms A and B, One Liberty Boulevard, Malvern, Pennsylvania. Shareholders will consider and take action on the following items of business:

1. the election of ten directors to serve until the next annual meeting of shareholders;

2. an advisory vote on a resolution to approve UGI Corporation s executive compensation;

3. the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for Fiscal 2019; and

4. the transaction of any other business that may properly come before the meeting.

Monica M. Gaudiosi

Corporate Secretary

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on Wednesday, January 30, 2019:

This Proxy Statement and the Company s 2018 Annual Report are available at *www.ugicorp.com*.

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PROXY STATEMENT SUMMARY

This summary highlights information contained elsewhere in this Proxy Statement. The summary does not contain all of the information that you should consider. Please read the entire Proxy Statement carefully before voting.

Annual Meeting of Shareholders

Time and Date:	10:00 a.m. (Eastern Standard Time), Wednesday, January 30, 2019
Place:	The Desmond Malvern, Ballrooms A & B One Liberty Boulevard, Malvern, Pennsylvania
Record Date:	November 13, 2018
Voting:	Shareholders as of the close of business on the record date are entitled to vote. Each share of common stock is entitled to one vote for each matter to be voted on.

Voting Matters and Board Recommendations

Proposal	Required Approval	Board Recommendation
Election of Ten Directors	Majority of Votes Cast	**FOR**
Advisory Vote on Executive Compensation	Majority of Votes Cast	**FOR**
Ratification of Independent Registered Public Accounting Firm for 2019	Majority of Votes Cast	**FOR**

How to Cast Your Vote

Over the Internet	By Telephone	By Mail or in Person
If your shares are registered in your name: Vote your shares over the Internet by accessing the Computershare proxy online voting website at: www.envisionreports.com/UGI and following the on-screen instructions. You will need the control number that appears on your Notice of Availability of Proxy Materials when you access the web page.	*If your shares are registered in your name:* Vote your shares over the telephone by accessing the telephone voting system toll-free at 800-652-8683 and following voting instructions. The telephone instructions will lead you through the voting process. You will need the control number that appears on your Notice of Availability of	*If you received these annual meeting materials by mail:* Vote by signing and dating the proxy card(s) and returning the card(s) in the prepaid envelope. Shareholders may vote in person at the meeting. You

If your shares are held in the name of a broker, bank or other nominee: Vote your shares over the Internet by following the voting instructions that you receive from such broker, bank or other nominee.

Proxy Materials when you call.

If your shares are held in the name of a broker, bank or other nominee: Vote your shares over the telephone by following the voting instructions you receive from such broker, bank or other nominee.

may also be represented by another person at the meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares, you must obtain a legal proxy from your broker, bank or other holder of record and present it to the Judge of Election with your ballot to be able to vote at the Meeting.

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Performance Highlights Fiscal 2018

Earnings per share of $4.06 and adjusted earnings per share of $2.74 were new earnings records for UGI Corporation (the Company) (adjusted earnings per share exclude (i) the impact of changes in unrealized gains and losses on commodity and certain foreign currency derivative instruments not associated with current period transactions, (ii) integration expenses associated with the Finagaz acquisition in France, (iii) the remeasurement impact on net deferred tax liabilities from U.S. tax reform legislation and a change in the French corporate income tax rate, and (iv) the impact of the impairment of AmeriGas Propane, L.P. s tradenames and trademarks).

The Board of Directors increased the annual dividend by approximately 4% (the 31st consecutive year of annual dividend increases).

Significant progress was made on growth projects during the fiscal year ended September 30, 2018 (Fiscal 2018), including (i) expansion of the Company s geographic footprint in Italy, (ii) expansion of the Company s liquefied natural gas liquefaction peaking capacity and (iii) enhancement of the Company s natural gas infrastructure assets.

Advisory Vote to Approve Named Executive Officer Compensation

Proposal	Discussion	Board Recommendation
We are asking shareholders to approve, on an advisory basis, the Company s executive compensation, including our executive compensation policies and practices and the compensation of our named executive officers, as described in this Proxy Statement beginning on page 63.	**At our 2018 Annual Meeting, over 94% of our shareholders voted to approve the compensation of our named executive officers.** This result clearly demonstrated strong support for our executive compensation policies and practices and the alignment of executive pay to Company performance.	**FOR** Our Board recommends a **FOR** vote because it believes the Company s compensation policies and practices are effective in achieving UGI Corporation s goals of paying for performance and aligning the executives long-term interests with those of our shareholders.

Objectives and Components of Our Compensation Program

Objectives	Components
The compensation program for our named executive officers is designed to provide a competitive level of total compensation necessary to attract and retain talented and experienced executives. Additionally, our	In Fiscal 2018, the components of our executive compensation program included salary, annual bonus awards, long-term incentive compensation (performance unit awards and UGI Corporation stock option grants), discretionary bonus awards, limited perquisites, retirement benefits and other benefits, all as described in greater

compensation program is intended to motivate and encourage our executives to contribute to our success and reward our executives for leadership excellence and performance that promotes sustainable growth in shareholder value.

detail in the Compensation Discussion and Analysis of this Proxy Statement. We believe that the elements of our compensation program are essential components of a balanced and competitive compensation program to support our annual and long-term goals.

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Pay for Performance

Our executive compensation program allows the Compensation and Management Development Committee and the Board to determine pay based on a comprehensive view of quantitative and qualitative factors designed to enhance shareholder value and align the long-term interests of executives and shareholders.

We believe that the performance-based components of our compensation program, namely our stock options and performance units, have effectively linked our executives compensation to our financial performance.

The Company allocates a substantial portion of compensation to performance-based compensation. In Fiscal 2018, 81% of the principal compensation components, in the case of Mr. Walsh, and 63% to 71% of the principal compensation components, in the case of all other named executive officers, except for Mr. Oliver, were variable and tied to financial performance.

For example, for the 2015-2017 performance period, UGI Corporation s total shareholder return compared to its peer group was in the 41st percentile (UGI ranked 20th out of the 33 companies in its peer group) and Mr. Walsh received a performance unit payout equal to 71.9% of target in Fiscal 2018. For the 2016-2018 performance period (estimated as of October 31, 2018), UGI Corporation s total shareholder return compared to its peer group was in the 90th percentile and Mr. Walsh would receive a performance unit payout equal to 199.1% of target in Fiscal 2019. For additional information on the alignment between our financial results and executive officer compensation, see the Compensation Discussion and Analysis in this Proxy Statement.

Corporate Governance and Executive Compensation Practices

Corporate Governance	Executive Compensation
Annual election of directors	Meaningful executive officer stock ownership requirements
Majority voting with a director resignation policy for directors not receiving a majority of votes cast in uncontested elections	Policy against hedging and pledging of Company securities by directors and executive officers
The Board is led by an independent chairman	Termination of employment is required for payment under change-in-control agreements (double trigger)
Majority of directors are independent (8 of 9)	

Regularly scheduled executive sessions of non-management directors

Independent Board Committees (except for the Executive Committee), each with authority to retain independent advisors

Compensation and Management Development Committee advised by independent compensation consultant

Annual Board and Committee self-assessment process, utilizing assistance of outside counsel

No supermajority voting provisions

Annual limit of $500,000 on individual director equity awards

Meaningful director stock ownership requirements

Mandatory retirement age of 75 years for directors

Double trigger for the accelerated vesting of equity awards in the event of a change in control

A substantial portion of executive compensation is allocated to performance-based compensation, including long-term awards, in order to align executive officers interests with shareholders interests and to enhance long-term performance (81% of the principal components, in the case of Mr. Walsh, and 63% to 71% in the case of all other named executive officers, except for Mr. Oliver)

Recoupment policy for incentive-based compensation paid or awarded to current and former executive officers in the event of a restatement of financial results due to material non-compliance with any financial reporting requirement

Board-reviewed succession plan for CEO and other senior management

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QUESTIONS AND ANSWERS ABOUT PROXY MATERIALS, ANNUAL MEETING AND VOTING

This proxy statement contains information related to the Annual Meeting of Shareholders of UGI Corporation to be held on Wednesday, January 30, 2019, beginning at 10:00 a.m. Eastern Standard Time, at The Desmond Malvern, Ballrooms A and B, One Liberty Boulevard, Malvern, Pennsylvania, and at any postponements or adjournments thereof. Directions to The Desmond Malvern appear on page 65. This proxy statement was prepared under the direction of the Company s Board of Directors to solicit your proxy for use at the Annual Meeting. It was made available to shareholders on or about December 20, 2018.

Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of printed proxy materials?

The Company has elected to provide access to the proxy materials over the Internet. We believe that this initiative enables the Company to provide proxy materials to shareholders more quickly, reduces the impact of our Annual Meeting on the environment and reduces costs.

Who is entitled to vote?

Only shareholders of record at the close of business on November 13, 2018, the record date, are entitled to vote at the Annual Meeting. On November 13, 2018, there were 173,846,575 shares of common stock outstanding. Each shareholder has one vote per share on all matters to be voted on.

How can I vote my shares held in the Company s Employee Savings Plans?

You can instruct the trustee for the Company s Employee Savings Plans to vote the shares of stock that are allocated to your account in the UGI Stock Fund. If you do not vote your shares, the trustee will vote them in proportion to those shares for which the trustee has received voting instructions from participants.

How can I change my vote?

You can change or revoke your vote at any time before polls close at the 2019 Annual Meeting:

- If you returned a paper proxy card, you can write to the Company s Corporate Secretary at our principal office, 460 North Gulph Road, King of Prussia, Pennsylvania 19406, stating that you wish to revoke your proxy and that you need another proxy card.

- You can vote again, either over the Internet or by telephone.

- If you hold your shares through a broker, bank or other nominee, you can revoke your proxy by contacting the broker, bank or other nominee and following its procedure for revocation.

If you attend the meeting, you may vote by ballot, which will cancel your previous proxy vote. However, if your shares are held through a broker, bank or other nominee, and you wish to vote by ballot at the meeting, you will need to contact your bank, broker or other nominee to obtain a legal proxy form that you must bring with you to the meeting to exchange for a ballot.

Your last vote is the vote that will be counted.

What is a quorum?

A quorum is the presence at the meeting, in person or represented by proxy, of the holders of a majority of the outstanding shares entitled to vote. A quorum of the holders of the outstanding shares must be present for the Annual Meeting to be held. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum.

How are votes, abstentions and broker non-votes counted?

Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum, but are not considered a vote cast under Pennsylvania law.

When a broker, bank or other nominee holding shares on your behalf does not receive voting instructions from you, the broker, bank or other nominee may vote those shares only on matters deemed routine by the New York Stock Exchange. On non-routine matters, the broker, bank or other nominee cannot vote those shares unless they receive voting instructions from the beneficial owner. A broker non-vote means that a broker has not received voting instructions and either declines to exercise its discretionary authority to vote on routine matters or is barred from doing so because the matter is non-routine.

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As a result, abstentions and broker non-votes are not included in the tabulation of the voting results on issues requiring approval of a majority of the votes cast and, therefore, do not have the effect of votes in opposition in such tabulation.

What vote is required to approve each item?

Election of Directors: *Majority of Votes Cast*

Under our Bylaws and Principles of Corporate Governance, Directors must be elected by a majority of the votes cast in uncontested elections, such as the election of Directors at the Annual Meeting. This means that a director-nominee will be elected to our Board of Directors if the votes cast FOR such Director nominee exceed the votes cast AGAINST him or her. In addition, an incumbent Director will be required to tender his or her resignation if a majority of the votes cast are not in his or her favor in an uncontested election of Directors. The Corporate Governance Committee would then be required to recommend to the Board of Directors whether to accept the incumbent Director s resignation, and the Board will have ninety (90) days from the date of the election to determine whether to accept such resignation.

Advisory Approval of Executive Compensation: *Majority of Votes Cast*

The approval, by advisory vote, of the Company s executive compensation requires the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote at the 2019 Annual Meeting. This vote is advisory in nature and therefore not binding on UGI Corporation, the Board of Directors or the Compensation and Management Development Committee. However, our Board of Directors and the Compensation and Management Development Committee value the opinions of our shareholders and will consider the outcome of this vote in their future deliberations on the Company s executive compensation programs.

Ratification of the selection of Ernst & Young LLP: *Majority of Votes Cast*

The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for Fiscal 2019 requires the affirmative vote of a majority of the votes cast at the meeting to be approved.

Who will count the vote?

Representatives of Computershare Inc., our Transfer Agent, will tabulate the votes cast by proxy or in person at the Annual Meeting and act as inspectors of election.

What are the deadlines for Shareholder proposals for next year s Annual Meeting?

Shareholders may submit proposals on matters appropriate for shareholder action as follows:

Shareholders who wish to include a proposal in the Company s proxy statement for the 2020 annual meeting must comply in all respects with the rules of the U.S. Securities and Exchange Commission (SEC) relating to such inclusion and must submit the proposals to the Corporate Secretary at our principal offices, 460 North Gulph Road, King of Prussia, Pennsylvania 19406, no later than August 22, 2019.

If any shareholder wishes to present a proposal at the 2020 Annual Meeting that is not included in our proxy statement for that meeting, the proposal must be received by the Corporate Secretary at the above address by November 5, 2019. For proposals that are not received by November 5, 2019, the proxy holders will have discretionary authority to vote on the matter without including advice on the nature of the proposal or on how the proxy holders intend to vote on the proposal in our proxy statement.

All proposals and notifications should be addressed to the Corporate Secretary at our principal office, 460 North Gulph Road, King of Prussia, Pennsylvania 19406.

How much did this proxy solicitation cost?

The Company has engaged Georgeson Inc. to solicit proxies for the Company for a fee of $7,500 plus reasonable expenses for additional services. We also reimburse banks, brokerage firms and other institutions, nominees, custodians and fiduciaries for their reasonable expenses for sending proxy materials to beneficial owners and obtaining their voting instructions. Certain Directors, officers and regular employees of the Company and its subsidiaries may solicit proxies personally or by telephone or facsimile without additional compensation.

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ITEM 1 ELECTION OF DIRECTORS

NOMINEES

Ten directors have been nominated by the Board of Directors to stand for election as directors at the Annual Meeting of Shareholders based upon recommendations from the Corporate Governance Committee. Each director-nominee has consented to serve, if elected, until the next annual meeting or until his or her earlier resignation or removal. If any director-nominee is not available for election, proxies will be voted for another person nominated by the Board of Directors or the size of the Board will be reduced. Other than Alan N. Harris, who was elected by the Board of Directors to serve as a Director effective March 5, 2018, and Kelly A. Romano, who was nominated by the Board of Directors to stand for election at the 2019 Annual Meeting of Shareholders, all of the director-nominees were elected to the Board by our shareholders at last year s annual meeting. The Board of Directors has unanimously nominated M. Shawn Bort, Theodore A. Dosch, Richard W. Gochnauer, Alan N. Harris, Frank S. Hermance, Anne Pol, Kelly A. Romano, Marvin O. Schlanger, James B. Stallings, Jr., and John L. Walsh for election as directors at the Annual Meeting.

Information about Director-Nominees

Biographical information for each of the director-nominees standing for election is set forth below, as well as a description of the specific experience, qualifications, attributes and skills that led the Board to conclude that, in light of the Company s business and structure, the individual should serve as a director. The Board believes that each director-nominee has valuable individual skills and experience that, taken as a whole, provide the depth of knowledge, judgment and strategic vision necessary to provide effective oversight of the Company.

The Board of Directors recommends that you vote FOR the election of each of the ten nominees for director.

M. SHAWN BORT

Retired Senior Vice President, Finance, Saint-Gobain Corporation

Director since 2009

Age 56

Chair, Audit Committee

<u>Principal Occupation and Business Experience</u>: Ms. Bort retired in 2015 as Senior Vice President, Finance of Saint-Gobain Corporation, the North American business of Compagnie de Saint-Gobain (a global manufacturer and distributor of flat glass, building products, glass containers and high performance materials) (2006 to 2015). Ms. Bort was formerly Vice President, Finance (2005 to 2006) and Vice President, Internal Control Services (2002 to 2005) of Saint-Gobain. Prior to joining Saint-Gobain, she was a partner with PricewaterhouseCoopers LLP, a public accounting firm (1997 to 2002), having joined Price Waterhouse in 1984. Ms. Bort also serves as a Director of UGI Utilities, Inc., a subsidiary of the Company.

<u>Key Skills and Qualifications</u>: Ms. Bort s qualifications to serve as a director include her senior financial executive management experience with a global company, as well as her extensive public accounting knowledge and experience. Her education (Ms. Bort has a bachelor s degree in accounting from Marquette University and a Master of Business Administration degree in finance and operations management from the Wharton School of the University of Pennsylvania) and experience provide her with financial expertise and a well-developed awareness of IT infrastructure, financial strategy, asset management and risk management. Ms. Bort also possesses international experience by virtue of her former executive position at a large global company and corporate governance experience by virtue of her position on the advisory board at Drexel University s LeBow College of Business, Center for Corporate Governance.

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THEODORE A. DOSCH

Executive Vice President of Finance and Chief Financial Officer,

Anixter International Inc.

Director since 2017

Age 59

Member, Audit Committee

Principal Occupation and Business Experience: Mr. Dosch is Executive Vice President of Finance and Chief Financial Officer of Anixter International Inc. (a leading global distributor of network & security solutions, electrical & electronic solutions and utility power solutions) (since 2011). He previously served as Anixter International s Senior Vice President, Global Finance (2009 to 2011). Prior to joining Anixter International, Mr. Dosch held a number of executive positions with Whirlpool Corporation, including CFO North America and Vice President of Maytag Integration (2006 to 2008), Corporate Controller (2004 to 2006) and CFO North America (1999 to 2004). Mr. Dosch also serves as a Director of UGI Utilities, Inc., a subsidiary of the Company.

Key Skills and Qualifications: Mr. Dosch s qualifications to serve as a director include his senior financial executive management experience at both Anixter International and Whirlpool Corporation. His education (Mr. Dosch has a bachelor s degree in accounting from Ohio University and is a certified public accountant) and experience provide him with financial expertise. Mr. Dosch possesses extensive international expertise by virtue of his positions at Anixter International and Whirlpool Corporation, companies with global operations, as well as in-depth experience in the areas of strategic planning, asset management, and risk management.

RICHARD W. GOCHNAUER

Retired Chief Executive Officer, United Stationers, Inc.

Director since 2011

Age 69

Member, Compensation and Management Development Committee Member, Corporate Governance Committee

<u>Principal Occupation and Business Experience</u>: Mr. Gochnauer retired in May 2011 as Chief Executive Officer and Director of United Stationers, Inc. (a wholesale distributor of business products) (2002 to 2011). He previously served as President and Chief Operating Officer and Vice Chairman and President, International, of Golden State Foods Corporation (a diversified international supplier to the food service industry) (1994 to 2002). Mr. Gochnauer also serves as a Director of AmerisourceBergen Corporation (a wholesale distributor of business products in the U.S. and internationally), Golden State Foods Corporation, UGI Utilities, Inc., a subsidiary of the Company, and Vodori (a private marketing solutions company).

<u>Key Skills and Qualifications</u>: Mr. Gochnauer s qualifications to serve as a director include his extensive senior management experience as Chief Executive Officer of a large public company and his operational, strategic planning, technology, and business development expertise. Mr. Gochnauer is also able to offer significant insights in the areas of international operations, logistics and distribution, government regulation and corporate governance.

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ALAN N. HARRIS

Retired Senior Advisor and Chief Development and Operations Officer

Spectra Energy Corporation

Director since 2018

Age 65

Member, Safety, Environmental and Regulatory Compliance Committee

Principal Occupation and Business Experience: Mr. Harris retired in January 2015 from Spectra Energy Corporation (an operator in the transmission and storage, distribution and gathering and processing of natural gas) where he served in multiple roles since 2007, including as Senior Advisor to the Chairman, President and Chief Executive Officer on project execution efforts (January 2014 to January 2015), Chief Development Officer and Chief Operations Officer (2008 to 2014) and Chief Development Officer (2007 to 2008). Prior to Spectra Energy Corporation s spin-off from Duke Energy Gas Transmission, Mr. Harris held various positions of increasing responsibility at Duke Energy, including Group Vice President, Chief Financial Officer (2004 to 2006), Executive Vice President (2003 to 2004), Senior Vice President, Strategic Development and Planning (2002 to 2003), Vice President, Controller, Treasurer, Strategic Planning (2000 to 2002) and Vice President, Controller, Strategic Planning (1999 to 2000). Mr. Harris currently serves as a Director of Enable Midstream Partners, LP (an owner, operator and developer of midstream energy infrastructure assets in the United States) and UGI Utilities, Inc., a subsidiary of the Company.

Key Skills and Qualifications: Mr. Harris extensive background in the energy industry, and in particular natural gas distribution and transmission, provide him with industry expertise. Additionally, Mr. Harris experience provides him with strategic planning and business development experience. As a former senior financial executive, Mr. Harris also possesses experience in corporate finance and accounting. His education (Mr. Harris has a bachelor s degree in accounting from Northeastern Oklahoma State University and an MBA from the University of Tulsa and is a certified public accountant) and experience provide him with financial expertise. Mr. Harris also possesses operational expertise in the energy sector by virtue of his senior executive experience at Spectra Energy and his director experience at Enable Midstream Partners.

FRANK S. HERMANCE

Retired Chairman and Chief Executive Officer, AMETEK, Inc.

Director since 2011

Age 69

Chair, Safety, Environmental and Regulatory Compliance Committee Member, Compensation and Management Development Committee Member, Corporate Governance Committee

Principal Occupation and Business Experience: Mr. Hermance is the retired Chairman (2001 to 2017) and Chief Executive Officer (1999 to 2016) of AMETEK, Inc. (a global manufacturer of electronic instruments and electromechanical devices). He previously served as AMETEK s President and Chief Operating Officer (1996 to 1999). Mr. Hermance also serves as a Director of AmeriGas Propane, Inc. and UGI Utilities, Inc., both of which are subsidiaries of the Company, as Director Emeritus of the Greater Philadelphia Alliance for Capital and Technologies, as Vice Chairman of the World Affairs Council of Philadelphia, and as an advisory board member at American Securities LLP (a private equity firm). He previously served as a member of the Board of Trustees of the Rochester Institute of Technology (until November 2016).

Key Skills and Qualifications: Mr. Hermance s qualifications to serve as a director include his extensive senior management experience in the roles of Chairman, Chief Executive Officer, President and Chief Operating Officer of a large global company. The Board also considered Mr. Hermance s relevant

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experience in the areas of international operations, logistics, distribution, risk management, mergers and acquisitions, corporate governance, human resources management and executive compensation.

ANNE POL

Retired President and Chief Operating Officer, Trex Enterprises Corp.

Director 1993 through 1997 and since 1999

Age 71

Chair, Compensation and Management Development Committee

Member, Safety, Environmental and Regulatory Compliance Committee

Member, Executive Committee

Principal Occupation and Business Experience: Mrs. Pol retired in 2005 as President and Chief Operating Officer of Trex Enterprises Corporation (a high-technology research and development company), a position she had held since 2001. She previously served as Senior Vice President (1998 to 2001) and Vice President (1996 to 1998) of Thermo Electron Corporation (an environmental monitoring and analytical instruments company and a major producer of recycling equipment, biomedical products and alternative energy systems). Mrs. Pol also served as President of Pitney Bowes Shipping and Weighing Systems Division, a business unit of Pitney Bowes Inc. (a mailing and related business equipment company) (1993 to 1996); Vice President of New Product Programs in the Mailing Systems Division of Pitney Bowes Inc. (1991 to 1993); and Vice President of Manufacturing Operations in the Mailing Systems Division of Pitney Bowes Inc. (1990 to 1991). Mrs. Pol also serves as a Director of UGI Utilities, Inc. and AmeriGas Propane, Inc., both of which are subsidiaries of UGI Corporation.

Key Skills and Qualifications: Mrs. Pol s qualifications to serve as a director include her strategic planning, business development and technology experience as a senior-level executive with a diversified high-technology company. Mrs. Pol also possesses an important understanding of, and extensive experience in, the areas of executive compensation, human resource management, corporate governance and government regulation. The Board also considered Mrs. Pol s intimate knowledge and understanding of the Company s businesses by virtue of her years serving as a director of the Company.

KELLY A. ROMANO

Founder and Chief Executive Officer, Blueripple Capital, LLC

Director Nominee

Age 56

Principal Occupation and Business Experience: Ms. Romano is the Founder and Chief Executive Officer of BlueRipple Capital, LLC, a consultancy firm focused on strategy, acquisitions, deal structure, and channel development for high technology companies. Ms. Romano retired from United Technologies Corporation (a diversified company that provides high technology products and services to the building and aerospace industries) in 2016 after serving in various positions of increasing responsibility since 1984. From 1993 to 2016, Ms. Romano held a number of senior executive positions at United Technologies Corporation, including President, Intelligent Building Technologies, Building Systems & Services (September 2014 to April 2016), Corporate Vice President, Business Development, UTC Corporate Headquarters (March 2012 to September 2014), President, Global Security Products, UTC Fire & Security (May 2011 to February 2012), Senior Vice President, Global Sales & Marketing, UTC Fire & Security (January 2010 to April 2011), and President, Building Systems & Services, Carrier Corporation (January 2006 to December 2009). Ms. Romano has been an executive advisory board member of Gryphon Investors (a private equity firm

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focused on middle-market investment opportunities) since December 2016; a senior advisory partner of Sand Oak Capital Partners, LLC (a private equity firm focused on investments in industrial and manufactu00%">

the possibility that the interests of our majority owner will conflict with other holders of our common stock; and

other risks and uncertainties, including those detailed from time to time in our periodic reports filed with the Securities and Exchange Commission.

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You should not put undue reliance on any forward-looking statements. You should understand that many important factors, including those discussed under the headings Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations, could cause our results to differ materially from those expressed or suggested in any forward-looking statement. Except as required by law, we do not undertake any obligation to update or revise these forward-looking statements to reflect new information or events or circumstances that occur after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events or otherwise.

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Item 1A. Risk Factors

You should consider carefully, in addition to the other information contained in this Annual Report on Form 10-K and the exhibits hereto, the following risk factors in evaluating our business. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The following discussion of risks is not all inclusive but is designed to highlight what we believe are the most significant risks that we face. Additional risks and uncertainties, not presently known to us or that we currently deem immaterial, may also impair our business, financial condition or results of operations.

Competition from other weight management industry participants or the development of more effective or more favorably perceived weight management methods could result in decreased demand for our services and products.

The weight management industry is highly competitive. We compete against a wide range of providers of weight management services and products. Our competitors include: self-help weight management regimens and other self-help weight management products, services and publications, such as books, magazines and websites; commercial weight management programs; Internet, free mobile and other weight management applications, activity monitors and other electronic weight management approaches; dietary supplements and meal replacement products; weight management services administered by doctors, nutritionists and dieticians; surgical procedures; the pharmaceutical industry; government agencies and non-profit groups that offer weight management services; and fitness centers. Additional competitors may emerge as new or different products or methods of weight management are developed and marketed. More effective or more favorably perceived diet and weight management methods, including pharmaceutical treatments, fat and sugar substitutes or other technological and scientific advancements in weight management methods, also may be developed. This competition may reduce demand for our services and products.

The purchasing decisions of weight management customers are highly subjective and can be influenced by many factors, such as brand image, marketing programs, cost and perception of the efficacy of the service and product offerings. Moreover, customers can, and frequently do, change weight management approaches easily and at little cost. For example, our revenue was adversely affected by increased popularity and media exposure of low-carbohydrate diets in 2003 and 2004, and more recently, by the popularity of mobile technology, which has led to increased trial of free mobile and other weight management applications and activity monitors. Any decrease in demand for our services and products may adversely affect our business, financial condition or results of operations.

If we do not continue to develop innovative new services and products or if our services and products do not continue to appeal to the market, or if we are unable to successfully expand into new channels of distribution, our business may suffer.

The weight management industry is subject to changing customer demands based, in large part, on the efficacy and popular appeal of weight management programs. The popularity of weight management programs is dependent, in part, on their ease of use and channels of distribution. Our future success depends on our ability to continue to develop and market new, innovative services and products and to enhance our existing services and products, each on a timely basis to respond to new and evolving customer demands, achieve market acceptance and keep pace with new nutritional, weight management, technological and other developments. We may not be successful in developing, introducing on a timely basis or marketing any new or enhanced services and products, and we cannot assure you that any new or enhanced services or products will appeal to the market. Our future success also will depend, in part, on our ability to successfully distribute our products and services through appealing channels of distribution, such as mobile. Our failure to develop new services and products and to enhance our existing services and products, the failure of our services and products to continue to appeal to the market or the failure to expand into appealing new channels of distribution, could have an adverse impact on our ability to attract and retain members and subscribers and thus adversely affect our business, financial condition or results of operations.

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We may not be able to successfully implement new strategic initiatives, which could adversely impact our business.

We are continuously evaluating changing consumer preferences and the competitive environment of our industry and seeking out opportunities to improve our performance through the implementation of selected strategic initiatives, such as our healthcare initiative. The goal of these efforts is to develop and implement a comprehensive and competitive business strategy which addresses the continuing changes in the weight management industry environment and our position within the industry. We may not be able to successfully implement our strategic initiatives and realize the intended business opportunities, growth prospects, including new business channels, and competitive advantages. Our efforts to capitalize on business opportunities may not bring the intended results. Assumptions underlying expected financial results or customer demand may not be met or economic conditions may deteriorate. We also may be unable to attract and retain highly qualified and skilled personnel to implement our strategic initiatives. If these or other factors limit our ability to successfully execute our strategic initiatives, our business activities, financial condition and results of operations may be adversely affected.

Our business depends on the effectiveness of our marketing and advertising programs to attract and retain members and subscribers.

Our business success depends on our ability to attract and retain members to our meetings and subscribers to WeightWatchers.com. Our ability to attract and retain members and subscribers depends significantly on the effectiveness of our marketing practices. From time to time, we use the success stories of our members and subscribers, including in some cases celebrities, in our marketing and advertising programs to communicate on a personal level with consumers. Actions taken by these members and subscribers that harm their personal reputation, or include the cessation of using our services and products, could have an adverse impact on the marketing and advertising campaigns in which they are featured. We also use social media channels as a means of communicating with consumers. Unauthorized or inappropriate use of these channels could result in harmful publicity or negative consumer experience which could have an adverse impact on the effectiveness of our marketing in these channels. If our marketing and advertising campaigns do not generate a sufficient number of members and subscribers, our results of operations will be adversely affected.

The Weight Watchers brand could be impaired due to actions taken by our franchisees, licensees and suppliers.

We believe that the Weight Watchers brand, including its widespread recognition and strong reputation in the market, is one of our most valuable assets and that it provides us with a competitive advantage. Our franchisees operate their businesses under our brand. In addition, we license the Weight Watchers brand to third parties for the manufacture and sale in retail stores by such parties of a variety of goods, including food products, and also endorse third-party branded consumer products. We also sell in our meeting rooms food and non-food products manufactured by third-party suppliers. Because our franchisees, licensees and suppliers are independent third parties with their own financial objectives, actions taken by them, including breaches of their contractual obligations, such as not following our program or not maintaining our quality and safety standards, could harm our brand. Also, these Weight Watchers-branded products may be subject to product recalls, litigation or other deficiencies. Any negative publicity associated with these actions would adversely affect our brand and may result in decreased meeting attendance, Internet subscriptions and product sales and, as a result, lower revenues and profits.

Our debt service obligations could adversely affect our financial condition, and the restrictions of our debt covenants could impede our operations and flexibility.

Our financial performance could be affected by our level of debt. As of December 28, 2013, our total debt was $2,388.0 million. In addition, at December 28, 2013, we had $248.4 million available under our revolving credit facility. We expect to generate the cash necessary to pay our expenses and to pay the principal and interest

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on all of our outstanding debt from our cash flows provided by operating activities and by opportunistically using other means to repay or refinance our obligations as we determine appropriate. Although we seek to manage our exposure to interest rates through interest rate swaps, our debt consists entirely of variable-rate instruments, so we are subject to the risk of higher interest rates. Our ability to pay our expenses and meet our debt service obligations depends on our future performance, which may be affected by financial, business, economic, demographic and other factors, such as attitudes toward weight management and pressure from our competitors. If we do not have enough money to pay our debt service obligations, we may be required to refinance all or part of our existing debt, sell assets, borrow more money or raise equity. In such an event, we may not be able to refinance our debt, sell assets, borrow more money or raise equity on terms acceptable to us or at all. Also, our ability to carry out any of these activities on favorable terms, if at all, may be further impacted by any financial or credit crisis which may limit access to the credit markets and increase the cost of capital.

While there is no net debt to EBITDAS (earnings before interest, taxes, depreciation and amortization, and stock-based compensation) leverage ratio maintenance requirement on our $2,388.0 million of debt outstanding, our credit facilities contain customary covenants, including covenants that in certain circumstances restrict our ability to incur additional indebtedness, pay dividends on and redeem capital stock, make other payments, including investments, sell our assets and enter into consolidations, mergers and transfers of all or substantially all of our assets. Our Revolving Facility (as defined hereafter) also requires us, in certain circumstances, to not exceed a specified financial ratio. Our ability to meet this financial ratio requirement can be affected by events beyond our control and we cannot assure you that we will meet this financial ratio requirement in any future period. A breach of any of these covenants or this ratio, if applicable, could result in an event of default under the credit facilities. Compliance with this ratio may effectively limit our ability to borrow funds in excess of $50.0 million under our Revolving Facility. If an event of default exists under the credit facilities, the lenders could elect to cease making loans and declare all amounts outstanding thereunder to be immediately due and payable. If the lenders under the credit facilities accelerate the payment of the indebtedness, our assets may not be sufficient to repay in full that indebtedness and our other indebtedness that would become due as a result of any such acceleration.

Any failure of our technology or systems to perform satisfactorily could result in an adverse impact on our business.

We rely on software, hardware, network systems and similar technology that is either developed by us or licensed from or maintained by third parties to operate our websites, subscription offerings and other products and services such as the recurring billing system associated with certain of our commitment plans, and to support our business operations. As much of this technology is complex, there may be future errors, defects or performance problems, including when we update our technology or integrate new technology to expand and enhance our capabilities. Our technology may malfunction or suffer from defects that become apparent only after extended use. In addition, our operations depend on our ability to protect our information technology systems against damage from fire, power loss, water, earthquakes, telecommunications failures, vandalism and other malicious acts and similar unexpected adverse events. Interruptions in our websites, products and services or network systems could result from unknown technical defects, insufficient capacity or the failure of our third party providers to provide continuous and uninterrupted service. While we maintain disaster recovery capabilities to return to normal operation in a timely manner, we do not have a fully redundant system that includes an instantaneous recovery capability.

As a result of such possible defects, failures or other problems, our products and services could be rendered unreliable or be perceived as unreliable by customers, which could result in harm to our reputation and brand. Any failure of our technology or systems could result in an adverse impact on our business.

We may be required to recognize asset impairment charges for franchise rights acquired, goodwill and other indefinite-lived assets.

In accordance with GAAP (as defined hereafter), we perform an annual impairment review of our indefinite-lived assets, which include franchise rights acquired and goodwill, during the fourth quarter of each fiscal year. We also continually evaluate whether current factors or indicators, such as a deterioration in general economic conditions, an increased competitive environment, a decline in our financial performance, and/or other prevailing conditions in the capital markets, require the performance of an interim impairment assessment of those assets. The process of testing franchise rights acquired, goodwill and other indefinite-lived assets for impairment involves numerous judgments, assumptions and estimates made by management which inherently reflect a high degree of uncertainty. Certain factors, including the future profitability of our businesses, the price of our stock and macroeconomic conditions, might have a negative impact on the fair value of these assets. In fiscal 2013, we recorded impairment charges in the aggregate of approximately $1.2 million related to franchise rights acquired in connection with our Mexico and Hong Kong operations. We may incur additional impairment charges in the future, which would have an adverse impact on our financial condition and results of operations.

Additionally, we evaluate capitalized software costs for impairment by comparing the net realizable value of the software product to the carrying value of the capitalized costs. If the value of those assets is not deemed to be recoverable an assessment of the fair value of those assets is performed and to the extent the carrying value exceeds the fair value an impairment charge is recognized. Should our investment in capitalized software development costs become impaired, there would also be an adverse impact on our financial condition and results of operations.

Our international operations expose us to economic, political and social risks in the countries in which we operate.

The international nature of our operations involves a number of risks, including changes in US and foreign government regulations, tariffs, taxes and exchange controls, economic downturns, inflation and political and social instability in the countries in which we operate and our dependence on foreign personnel. Foreign government regulations may also restrict our ability to operate in some countries, acquire new businesses or repatriate dividends from foreign subsidiaries back to the United States. We cannot be certain that we will be able to enter and successfully compete in additional foreign markets or that we will be able to continue to compete in the foreign markets in which we currently operate.

We are exposed to foreign currency risks from our international operations that could adversely affect our financial results.

A significant portion of our revenues and operating costs are denominated in foreign currencies. We are therefore exposed to fluctuations in the exchange rates between the US dollar and the currencies in which our foreign operations receive revenues and pay expenses. We do not currently hedge, and have not historically hedged, our operational exposure to foreign currency fluctuations. Our consolidated financial results are presented in US dollars and therefore, during times of a strengthening US dollar, our reported international revenues and earnings will be reduced because the local currency will translate into fewer US dollars. In addition, the assets and liabilities of our non-US subsidiaries are translated into US dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated into US dollars at the average exchange rate for the period. Translation adjustments arising from the use of differing exchange rates from period to period are recorded in shareholders equity as accumulated other comprehensive income (loss). Translation adjustments arising from intercompany receivables with our foreign subsidiaries are generally recorded as a component of other expense (income). Accordingly, changes in currency exchange rates will cause our revenues, operating costs, net income and shareholders equity to fluctuate.

We may not successfully make acquisitions or enter into joint ventures and we may not successfully integrate, operate or realize the anticipated benefits of such businesses.

As part of our growth strategy, we may pursue selected acquisitions or joint ventures. We cannot assure you that we will be able to effect these transactions on commercially reasonable terms or at all. Any future

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acquisitions or joint ventures may require access to additional capital, and we cannot assure you that we will have access to such capital on commercially reasonable terms or at all. Even if we enter into these transactions, we may not realize the benefits we anticipate or we may experience difficulties in integrating any acquired companies and products into our existing business or in providing our services and products in newly acquired markets; attrition of key personnel from acquired businesses; significant charges or expenses; higher costs of integration than we anticipated; or unforeseen operating difficulties that require significant financial and managerial resources that would otherwise be available for the ongoing development or expansion of our existing operations.

Our ability to influence the control of, or distributions from, our joint ventures may be limited by contract or otherwise. If any of the other investors in one of our joint ventures fails to observe its commitments, or its interests are different than ours, the joint venture may not be able to operate according to its business plan, we may be required to increase our level of commitment, or such entities may take actions which are not in our best interest. If we are unable to maintain our relationships with our joint venture partners, we could lose our ability to operate in the geographies and/or markets in which they operate, which could have a material adverse effect on our business, financial condition or results of operations.

Consummating these transactions could also result in the incurrence of additional debt and related interest expense, as well as unforeseen contingent liabilities, all of which could have a material adverse effect on our business, financial condition or results of operations. We may also issue additional equity in connection with these transactions, which would dilute our existing shareholders.

Our business may decline as a result of a downturn in general economic conditions or consumer confidence.

Our business is highly dependent on meeting fees, Internet product subscriptions and product sales. A downturn in general economic conditions or consumer confidence in any of our major markets could result in people curtailing or reallocating their discretionary spending which, in turn, could reduce attendance at our meetings, Internet product subscriptions and product sales. For example, the continuing, challenging global economic environment has led to a decrease in discretionary spending by consumers and loss of consumer confidence. Any reduction in consumer spending may adversely affect our business, financial condition or results of operations.

The seasonal nature of our business could cause our operating results to fluctuate.

We have experienced and expect to continue to experience fluctuations in our quarterly results of operations. Our business is seasonal with revenues generally decreasing at year end and during the summer months. The first quarter of the fiscal year typically results in the greatest revenue due to the importance of the winter diet season to our overall recruitment environment. This seasonality could cause our share price to fluctuate as the results of an interim financial period may not be indicative of our full year results. Seasonality also impacts relative revenue and profitability of each quarter of the year, both on a quarter-to-quarter and year-over-year basis. The timing of certain holidays, particularly Easter, which precedes our spring marketing campaign and occurs between March 22nd and April 25th, may affect our results of operations and the year-to-year comparability of our quarterly results.

Any event that discourages or impedes people from gathering with others or accessing resources could adversely affect our business.

Our meeting and Internet operations are subject to conditions beyond our control that may prevent or impede current or prospective members from attending or joining meetings, or subscribers from accessing our subscription products, including extreme weather, terrorism, health epidemics, loss of resources such as electricity, national disasters and other extraordinary events. For example, our NACO attendance was adversely affected in the fourth quarter of fiscal 2012 by the impact of Hurricane Sandy and its aftermath. The occurrence of any event that discourages people from gathering with others or impedes their ability to access resources could adversely affect our business, financial condition or results of operations.

Third parties may infringe on our brand and other intellectual property rights, which may have an adverse impact on our business.

We currently rely on a combination of trademark, copyright, trade dress, trade secret, patent and other intellectual property laws and domain name dispute resolution systems to establish and protect our proprietary rights, including our brand. If we fail to successfully enforce our intellectual property rights, the value of our brand, services and products could be diminished and our business may suffer. Our precautions may not prevent misappropriation of our intellectual property, particularly in foreign countries where laws or law enforcement practices may not protect our proprietary rights as fully as in the United States. Any legal action that we may bring to protect our brand and other intellectual property could be unsuccessful and expensive and could divert management s attention from other business concerns. In addition, legal standards relating to the validity, enforceability and scope of protection of intellectual property, especially in Internet-related businesses, are uncertain and evolving. We cannot assure you that these evolving legal standards will sufficiently protect our intellectual property rights in the future.

We may be subject to intellectual property rights claims.

Third parties may make claims against us alleging infringement of their intellectual property rights. Any intellectual property claims, regardless of merit, could be time-consuming and expensive to litigate or settle and could significantly divert management s attention from other business concerns. In addition, if we were unable to successfully defend against such claims, we may have to pay damages, stop selling the service or product or stop using the software, technology or content found to be in violation of a third party s rights, seek a license for the infringing service, product, software, technology or content or develop alternative non-infringing services, products, software, technology or content. If we cannot license on reasonable terms, develop alternatives or stop using the service, product, software, technology or content for any infringing aspects of our business, we may be forced to limit our service and product offerings. Any of these results could reduce our revenues or our ability to compete effectively, increase our costs or harm our business.

Our reputation and the appeal of our services and product offerings may be harmed by security breaches or privacy concerns.

Breaches of security could result in unauthorized access to proprietary or customer information or data or cause interruptions to our products and services. Such unauthorized access could harm our reputation, expose us to liability claims and may result in the loss of existing or potential customers. In addition, the transmission of computer viruses, or similar malware, could adversely affect our computer systems and harm our business operations. As a result, it may become necessary to expend significant additional amounts of capital and other resources to protect against, or to alleviate, problems caused by security breaches. These expenditures, however, may not prove to be a sufficient remedy.

Most states require that customers be notified if a security breach results in the disclosure of their personal financial account or other information, and additional states and governmental entities are considering such laws. In addition, other public disclosure laws may require that material security breaches be reported. If we experience a security breach and such notice or public disclosure is required in the future, our reputation and our business may be harmed.

In the ordinary course of our business, we collect and utilize proprietary and customer information and data. Privacy concerns among prospective and existing customers regarding our use of such information or data collected on our websites or through our services and products, such as weight management information, financial data, email addresses and home addresses, could keep them from using our websites or purchasing our services or products. We are subject to certain legal obligations and public scrutiny regarding the manner in which we treat such information and data. Industry-wide events or events with respect to our websites, including misappropriation of third-party information, security breaches or changes in industry standards or regulations, or increased enforcement of existing or new laws, could have an adverse effect on our business.

Disputes with our franchise operators could divert management s attention from their ordinary responsibilities.

In the past, we have had disputes with our franchisees regarding operations and other contractual issues. For example, we have had disputes with some of our franchisees regarding the interpretation of franchisee rights as they relate to the Internet and mail-order products. Any future disputes could divert the attention of management from their ordinary responsibilities.

Our businesses are subject to legislative and regulatory restrictions.

A number of laws and regulations govern our advertising, services, products, operations and relations with consumers, licensees, franchisees, employees and other service providers, and government authorities in the countries in which we operate.

Certain federal, state and foreign agencies, such as the FTC, regulate and enforce such laws relating to advertising, disclosures to consumers, privacy, consumer pricing and billing arrangements, and other consumer protection matters. A determination by a federal, state or foreign agency, or a court in connection with a governmental enforcement action or private litigation, that any of our practices do not meet existing or new laws or regulations could result in liability, adverse publicity, and restrictions of our business operations. For example, during the mid-1990s, the FTC filed complaints against a number of commercial weight management providers alleging violations of federal law in connection with the use of advertisements that featured testimonials, claims for program success and program costs. In 1997, we entered into a consent order with the FTC settling all contested issues raised in the complaint filed against us. The consent order requires us to comply with certain procedures and disclosures in connection with our advertisements of products and services.

Since we operate our meetings business both in the United States and internationally, we are subject to many distinct employment, labor, benefits and tax laws in each country in which we operate, including regulations affecting our employment practices and our relations with our employees and service providers. If we are required to comply with new laws or regulations or new interpretations of existing laws and regulations, are unable to comply with these laws, regulations or interpretations, or are subject to litigation with respect to these laws, regulations or interpretations, our business and results of operations could be adversely affected.

Laws and regulations directly applicable to communications, operations or commerce over the Internet such as those governing intellectual property, privacy, libel and taxation, are more prevalent and continue to evolve. If we are required to comply with new laws or regulations or new interpretations of existing laws or regulations, or if we are unable to comply with these laws, regulations or interpretations, our business could be adversely affected.

Future laws or regulations, including laws or regulations affecting our marketing and advertising practices, consumer pricing and billing arrangements, relations with consumers, employees, service providers, licensees or franchisees, or our services and products, may have an adverse impact on us.

Artal controls us and may have conflicts of interest with other shareholders in the future.

Artal controls us and is able to control the election and removal of our directors and determine our corporate and management policies, including potential mergers or acquisitions, payment of dividends, asset sales, the amendment of our articles of incorporation or bylaws and other significant corporate transactions. This concentration of our ownership may delay or deter possible changes in control of our company, which may

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reduce the value of an investment in our common stock. Even if Artal beneficially owns less than 50% but 10% or more of our common stock, Artal will have the right pursuant to an agreement with us to nominate directors to our Board of Directors in proportion to its stock ownership. The interests of Artal may not coincide with the interests of other holders of our common stock.

We are a controlled company within the meaning of the New York Stock Exchange rules and, as a result, qualify for exemptions from certain corporate governance requirements.

Artal controls a majority of the voting power of our outstanding common stock. Under the New York Stock Exchange, or the NYSE, rules, a listed company of which more than 50% of the voting power for the election of directors is held by another person or group of persons acting together is a controlled company and such a company may elect not to comply with certain NYSE corporate governance requirements, including (1) the requirement that a majority of the Board of Directors consist of independent directors, (2) the requirement that the nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities, (3) the requirement that the compensation committee be composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities, (4) that the compensation committee be required to consider certain independence factors when engaging compensation consultants, legal counsel and other committee advisors and (5) the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees. We have elected to be treated as a controlled company. Accordingly, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all of the NYSE corporate governance requirements.

Our articles of incorporation and bylaws and Virginia corporate law contain provisions that may discourage a takeover attempt.

Provisions contained in our articles of incorporation and bylaws and the laws of Virginia, the state in which we are incorporated, could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our shareholders. Provisions of our articles of incorporation and bylaws impose various procedural and other requirements, which could make it more difficult for shareholders to effect certain corporate actions. For example, our articles of incorporation authorize our Board of Directors to determine the rights, preferences, privileges and restrictions of unissued series of preferred stock, without any vote or action by our shareholders. Thus, our Board of Directors can authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our common stock. These rights may have the effect of delaying or deterring a change of control of our company. In addition, a change of control of our company may be delayed or deterred as a result of our having three classes of directors. These provisions could limit the price that certain investors might be willing to pay in the future for shares of our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We are currently headquartered in New York, New York in leased office space with our US back-office and customer support operations located in leased office spaces elsewhere in the United States. Each of our foreign country operations generally also has leased office space to support its operations. Our WWI reporting segment typically holds its meetings in third-party locations (usually meeting rooms in well-located civic or other community centers) or space leased in retail centers.

Our website, including our subscription products, is hosted on hardware and software co-located at a third-party facility in New York. We also maintain a disaster recovery site with hardware and software co-located at a third-party facility in Arizona.

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Item 3. Legal Proceedings

Due to the nature of our activities, we are also, at times, subject to pending and threatened legal actions that arise out of the ordinary course of business. In the opinion of management, based in part upon advice of legal counsel, the disposition of any such matters is not expected to have a material effect on our results of operations, financial condition or cash flows. However, the results of legal actions cannot be predicted with certainty. Therefore, it is possible that our results of operations, financial condition or cash flows could be materially adversely affected in any particular period by the unfavorable resolution of one or more legal actions.

Item 4. Mine Safety Disclosures

Not applicable.

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EXECUTIVE OFFICERS AND DIRECTORS OF THE COMPANY

Pursuant to General Instruction G(3) to Form 10-K, the information regarding our directors and executive officers required by Items 401(a), (b) and (e) of Regulation S-K is hereby included in Part I of this Annual Report on Form 10-K.

Set forth below are the names, ages as of December 28, 2013 and current positions of our executive officers and directors. Directors are elected at the annual meeting of shareholders. Executive officers are appointed by, and hold office at, the discretion of our Board of Directors.

Name	Age	Position
James R. Chambers	56	President and Chief Executive Officer, Director
Nicholas P. Hotchkin	48	Chief Financial Officer
Jeanine Lemmens	43	President, United Kingdom
Lesya Lysyj	50	President, North America
Corinne Pollier(-Bousquet)	49	President, Continental Europe
Raymond Debbane[(1)]	58	Chairman of the Board of Directors
Steven M. Altschuler[(1)(2)]	60	Director
Philippe J. Amouyal[(1)]	55	Director
Marsha Johnson Evans[(2)]	66	Director
Jonas M. Fajgenbaum	41	Director
Sacha Lainovic	57	Director
Christopher J. Sobecki	55	Director

(1) Member of Compensation Committee.
(2) Member of Audit Committee.

James R. Chambers. Mr. Chambers has served as a director and our President and Chief Executive Officer since July 30, 2013. He served as our President and Chief Operating Officer from January 4, 2013 to July 30, 2013. Prior to joining us, Mr. Chambers served as President of the U.S. Snacks and Confectionary business unit and General Manager of the Immediate Consumption Channel of Kraft Foods Inc., a global food and beverage company, from January 2010 to July 2011. Prior to joining Kraft, Mr. Chambers held various positions in the North America business unit at Cadbury plc, a beverage and confectionary company, from September 2005 to January 2010, most recently as the President and Chief Executive Officer. Mr. Chambers began his career at Nabisco, Inc. and also held various executive positions with Rémy Cointreau USA, Paxonix Inc., NetGrocer.com, Inc. and Information Resources, Inc. Mr. Chambers received a Bachelor s degree in Civil Engineering from Princeton University and an M.B.A. from the Wharton School of Business of the University of Pennsylvania. Mr. Chambers is a director of Big Lots, Inc. Mr. Chambers was previously a director of B&G Foods, a food manufacturer.

Nicholas P. Hotchkin. Mr. Hotchkin has served as our Chief Financial Officer since August 20, 2012. Prior to joining us, Mr. Hotchkin had spent several years at Staples, Inc., a global leader in the office supply industry. Most recently, Mr. Hotchkin served as Senior Vice President of Finance for the U.S. Retail division of Staples based in Massachusetts, a position he held from May 2010 to August 2012. Before assuming that position, he had been Senior Vice President of Finance and Treasurer of Staples, a position he held from November 2006 to April 2010. Prior to joining Staples, Mr. Hotchkin held several corporate finance positions with Delphi Corporation and General Motors Corporation including assignments in the United States, Asia and Europe. Mr. Hotchkin received a B.A. in Economics from Harvard College and an M.B.A. from the Harvard Business School.

Jeanine Lemmens. Ms. Lemmens has served as our President, United Kingdom since May 2013. Prior to that time, Ms. Lemmens served as our Managing Director, Benelux from July 2006 to May 2013. Prior to joining us, beginning in December 1999, Ms. Lemmens held various senior management and strategic positions with

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Center Parcs Europe, an operator of European short holiday break villages, including most recently serving as the Director B2B Strategy / Marketing from November 2005 to July 2006. Prior to joining Center Parcs Europe, Ms. Lemmens was working as an accountant in the audit practice with Ernst & Young LLP where she serviced a range of clients including many commercial clients. Ms. Lemmens holds a Certified Public Accountant degree from Erasmus University in the Netherlands, an M.S. in Business Administration from Nyenrode Business University in the Netherlands and a Bachelors of Art degree in Hospitality Management from Hotel School, The Hague, Hospitality Business School in the Netherlands.

Lesya Lysyj. Ms. Lysyj has served as the Company s President, North America since November 25, 2013. Prior to joining the Company, Ms. Lysyj served as Senior Vice President and Chief Marketing Officer of Heineken USA, a leading beer importer in the United States, from March 2011 to November 2013. Prior to joining Heineken USA, Ms. Lysyj had worked as Vice President Marketing Confectionery for the United States at Kraft Foods Inc., a global food and beverage company, from March 2010 to March 2011. Prior to joining Kraft, Ms. Lysyj held various positions in the North America business unit at Cadbury plc, a beverage and confectionary company, from 2000 to 2010, most recently as Executive Vice President Marketing, Cadbury US/Canada from 2007 to 2010. Ms. Lysyj also held various marketing and product development positions with Cadbury Schweppes Beverages. Ms. Lysyj received a Bachelor s degree in Business from the University of Western Ontario and an M.B.A from the University of Toronto.

Corinne Pollier(-Bousquet). Ms. Pollier has served as our President, Continental Europe since May 2013. Prior to that time, Ms. Pollier served as our Senior Vice President of France and Switzerland from October 2008 to May 2013 and our General Manager of France from October 2003 to October 2008. Prior to joining us, Ms. Pollier was with VIVARTE Group (France), a European retailer of footwear and apparel, where she held various positions in the finance and planning analysis department from 1991 to 1995, various senior positions in the organization and strategy department from 1995 to 2000 and as General Manager of Kookai from 2001 to 2003. Ms. Pollier also held various product management and project management positions for the central buying office of Le Printemps department stores from 1987 to 2001. Ms. Pollier is a graduate of HEC Business School Paris.

Raymond Debbane. Mr. Debbane has been the Chairman of our Board of Directors since our acquisition by Artal Luxembourg on September 29, 1999. Mr. Debbane is a co-founder and the Chief Executive Officer of The Invus Group, LLC. Prior to forming The Invus Group, LLC in 1985, Mr. Debbane was a manager and consultant for The Boston Consulting Group in Paris, France. He holds an M.B.A. from Stanford Graduate School of Business, an M.S. in Food Science and Technology from the University of California, Davis and a B.S. in Agricultural Sciences and Agricultural Engineering from American University of Beirut. Mr. Debbane is the Chairman of the Board of Directors of Lexicon Pharmaceuticals, Inc. and a director of Ceres, Inc. He is also the Chief Executive Officer and a director of Artal and the Chairman of the Board of Directors of a number of private companies of which Artal or Invus, L.P. are shareholders.

Steven M. Altschuler. Dr. Altschuler has been a director since September 2012. Dr. Altschuler has served and continues to serve as the Chief Executive Officer of The Children s Hospital of Philadelphia (CHOP), one of the leading children s hospitals in the United States, since April 2000. Prior to assuming the role of Chief Executive Officer, Dr. Altschuler held several positions at CHOP, including Physician-in-Chief and chief of the Division of Gastroenterology, Hepatology and Nutrition. Prior to joining CHOP, Dr. Altschuler was faculty member and chair of the Department of Pediatrics at the Perelman School of Medicine at the University of Pennsylvania. Dr. Altschuler received a B.A. in mathematics and an M.D. from Case Western Reserve University. Dr. Altschuler is a director of Mead Johnson Nutrition Company, serves on its Compensation and Management Development Committee and is also Chair of its Nutrition Science and Technology Committee.

Philippe J. Amouyal. Mr. Amouyal has been a director since November 2002. Mr. Amouyal is a Managing Director of The Invus Group, LLC, a position he has held since 1999. Previously, Mr. Amouyal was a Vice President and director of The Boston Consulting Group in Boston, MA. He holds an M.S. in Engineering and a

DEA in Management from Ecole Centrale de Paris and was a Research Fellow at the Center for Policy Alternatives of the Massachusetts Institute of Technology. Mr. Amouyal is a director and member of the Compensation Committee of Lexicon Pharmaceuticals, Inc. and a number of private companies of which Artal or Invus, L.P. are shareholders.

Marsha Johnson Evans. Ms. Evans has been a director since February 2002. Ms. Evans served as President and Chief Executive Officer of the American Red Cross, the preeminent humanitarian organization in the United States, from August 2002 to December 2005, and previously served as the National Executive Director of Girl Scouts of the U.S.A. from January 1998 to July 2002. A retired Rear Admiral in the United States Navy, Ms. Evans served as superintendent of the Naval Postgraduate School in Monterey, California from 1995 to 1998 and headed the Navy s worldwide recruiting organization from 1993 to 1995. Ms. Evans also served as the Acting Commissioner of the Ladies Professional Golf Association from July 2009 to January 2010. Ms. Evans received a B.A. from Occidental College and a Master s Degree from the Fletcher School of Law and Diplomacy at Tufts University. Ms. Evans is also a director of the North Highland Company and The First Tee. Ms. Evans was previously a director of Huntsman Corporation, Office Depot, Inc. and the Estate of Lehman Brothers Holdings, Inc.

Jonas M. Fajgenbaum. Mr. Fajgenbaum has been a director since our acquisition by Artal Luxembourg on September 29, 1999. Mr. Fajgenbaum is a Managing Director of The Invus Group, LLC, which he joined in 1996. Prior to joining The Invus Group, LLC, Mr. Fajgenbaum was a consultant for McKinsey & Company in New York from 1994 to 1996. He graduated with a B.S. in Economics with a concentration in Finance from The Wharton School of the University of Pennsylvania and a B.A. in Economics from the University of Pennsylvania. Mr. Fajgenbaum is a director of a number of private companies of which Artal or Invus, L.P. are shareholders.

Sacha Lainovic. Mr. Lainovic has been a director since our acquisition by Artal Luxembourg on September 29, 1999. Since 2007, Mr. Lainovic has been Managing Partner of Invus Financial Advisors, LLC, a New York-based investment firm, which he co-founded. From 1985 to 2006, Mr. Lainovic was Executive Vice President of The Invus Group, LLC, which he co-founded. Prior to forming The Invus Group, LLC in 1985, Mr. Lainovic was a manager and consultant for The Boston Consulting Group in Paris, France. He holds an M.B.A. from Stanford Graduate School of Business and an M.S. in Engineering from Insa de Lyon in Lyon, France.

Christopher J. Sobecki. Mr. Sobecki has been a director since our acquisition by Artal Luxembourg on September 29, 1999. Mr. Sobecki is a Managing Director of The Invus Group, LLC, which he joined in 1989. He received an M.B.A. from Harvard Business School. He also obtained a B.S. in Industrial Engineering from Purdue University. Mr. Sobecki is a director of Lexicon Pharmaceuticals, Inc. and a number of private companies of which Artal or Invus, L.P. are shareholders. Mr. Sobecki was previously a director of NitroMed Inc.

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PART II

Item 5. Market for Registrant s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the NYSE. Our common stock trades on the NYSE under the symbol WTW.

The following table sets forth, for the periods indicated, the high and low sales prices per share for our common stock as reported on the NYSE composite price history.

Fiscal 2013 (Year ended December 28, 2013)

	High	Low
First Quarter	$ 60.30	$ 40.00
Second Quarter	$ 48.35	$ 40.09
Third Quarter	$ 48.63	$ 35.58
Fourth Quarter	$ 41.44	$ 31.24

Fiscal 2012 (Year ended December 29, 2012)

	High	Low
First Quarter	$ 82.91	$ 53.50
Second Quarter	$ 79.99	$ 49.10
Third Quarter	$ 57.25	$ 40.60
Fourth Quarter	$ 57.88	$ 46.65

On October 9, 2003, our Board of Directors authorized, and we announced, a program to repurchase up to $250.0 million of our outstanding common stock. On each of June 13, 2005, May 25, 2006 and October 21, 2010, our Board of Directors authorized, and we announced, adding $250.0 million to this program. The repurchase program allows for shares to be purchased from time to time in the open market or through privately negotiated transactions. No shares will be purchased from Artal Holdings and its parents and subsidiaries under this program. The repurchase program currently has no expiration date. We repurchased no shares of our common stock during the fourth quarter of fiscal 2013. As of the end of fiscal 2013, $208.9 million remained available to purchase shares of our common stock under the repurchase program.

On February 23, 2012, we commenced a modified Dutch auction tender offer for up to $720.0 million in value of our common stock at a purchase price not less than $72.00 and not greater than $83.00 per share, or the Tender Offer. Prior to the Tender Offer, on February 14, 2012, we entered into an agreement, or the Purchase Agreement, with Artal Holdings (the then-current record holder of our shares owned by Artal) whereby Artal Holdings agreed to sell to us, at the same price as was determined in the Tender Offer, such number of its shares of our common stock that, upon the closing of this purchase after the completion of the Tender Offer, Artal Holdings percentage ownership in the outstanding shares of our common stock would be substantially equal to its level prior to the Tender Offer. Artal Holdings also agreed not to participate in the Tender Offer so that it would not affect the determination of the purchase price of the shares in the Tender Offer. The Tender Offer expired at midnight, New York time, on March 22, 2012, and on March 28, 2012 we repurchased approximately 8.8 million shares at a purchase price of $82.00 per share. On April 9, 2012, we repurchased approximately 9.5 million of Artal Holdings shares at a purchase price of $82.00 per share pursuant to the Purchase Agreement. In March 2012, we amended and extended the WWI Credit Facility to finance these repurchases. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Long-Term Debt . The repurchase of shares of common stock under the Tender Offer and from Artal Holdings pursuant to the Purchase Agreement was not made pursuant to the Company s existing repurchase program.

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Holders

The approximate number of holders of record of our common stock as of January 31, 2014 was 283. This number does not include beneficial owners of our securities held in the name of nominees.

Dividends

On October 30, 2013, we announced that we suspended our quarterly cash dividend. As a result, no dividend was issued for the fourth quarter of fiscal 2013. We historically had issued a quarterly cash dividend of $0.175 per share of our common stock every quarter for the past several fiscal years. In the fourth quarter of fiscal 2012, our Board of Directors declared such a quarterly cash dividend and accelerated its payment to December 2012 instead of having it paid in January 2013 as it had typically done for the fourth quarter dividend declaration. We currently intend to use the annual cash savings from such dividend suspension to preserve financial flexibility while funding our strategic growth initiatives and building cash for future debt repayments. Any future determination to declare and pay dividends will be made at the discretion of our Board of Directors, after taking into account our financial results, capital requirements and other factors it may deem relevant. The WWI Credit Facility (as defined below) also contains restrictions on our ability to pay dividends on our common stock. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Long-Term Debt in Part II, and Item 15. Exhibits and Financial Statement Schedules Financial Statements Note 6. Long-Term Debt , of this Annual Report on Form 10-K for a description of the WWI Credit Facility.

Item 6. Selected Financial Data

The following schedule sets forth our selected financial data for the last five fiscal years.

SELECTED FINANCIAL DATA

(in millions, except per share amounts)

	Fiscal 2013 (52 weeks)	Fiscal 2012 (52 weeks)	Fiscal 2011 (52 weeks)	Fiscal 2010 (52 weeks)	Fiscal 2009 (52 weeks)
Revenues, net[(1)]	$ 1,724.1	$ 1,839.4	$ 1,832.5	$ 1,464.1	$ 1,412.6
Net income attributable to the Company	$ 204.7	$ 257.4	$ 304.9	$ 194.2	$ 177.3
Working capital (deficit)	$ (30.1)	$ (229.9)	$ (279.7)	$ (348.7)	$ (336.1)
Total assets	$ 1,408.9	$ 1,218.6	$ 1,121.6	$ 1,092.0	$ 1,087.5
Long-term debt	$ 2,358.0	$ 2,291.7	$ 926.9	$ 1,167.6	$ 1,238.0
Earnings per share:					
Basic	$ 3.65	$ 4.27	$ 4.16	$ 2.57	$ 2.30
Diluted	$ 3.63	$ 4.23	$ 4.11	$ 2.56	$ 2.30
Dividends declared per common share	$ 0.53	$ 0.70	$ 0.70	$ 0.70	$ 0.70

(1) The classification of certain brand marketing funds received from licensees has been revised to reflect them as revenue as opposed to being recorded as an offset to expense. See Critical Accounting Policies below for additional information about this reclassification.

Items Affecting Comparability

Several events occurred during each of the last five fiscal years that affect the comparability of our financial statements. The nature of these events and their impact on underlying business trends are as follows:

Early Extinguishment of Debt Charge

Net income and earnings per share, or EPS, for the full year of fiscal 2013 were impacted by a $21.7 million ($13.3 million after tax), or $0.24 per fully diluted share, early extinguishment of debt charge recorded in the second quarter of fiscal 2013 resulting from the write-off of fees in connection with our April 2013 debt refinancing.

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UK Self-Employment Matter

We received an adverse tax ruling in the United Kingdom that our UK leaders should have been classified as employees for UK tax purposes and, as such, we should have withheld tax from our leaders pursuant to the Pay As You Earn and national insurance contributions collection rules and remitted such amounts to Her Majesty s Revenue and Customs, or HMRC. In connection with this ruling, we recorded a charge of approximately $36.7 million, of which approximately $4.2 million was with respect to fiscal 2009 and approximately $32.5 million was with respect to fiscal years 2001 through 2008, to cost of revenues in the fourth quarter of fiscal 2009. We subsequently recorded a charge of approximately $4.1 million and $3.0 million in fiscal 2010 and fiscal 2011, respectively. In December 2012, we reached an agreement with HMRC to settle the matter in its entirety for approximately $36.8 million. Based upon the settlement amount, we determined that $14.5 million of the reserved amount represented an over-accrual and as such was reversed to cost of revenues. As part of the settlement amount, the settlement agreement provided for an amount of interest to be paid which resulted in a $7.1 million increase to interest expense. The net benefit associated with the settlement was an increase of $7.4 million to income before income taxes. The reserve for this matter at the end of the fourth quarter of fiscal 2012 equaled approximately $7.3 million in the aggregate based on the exchange rates at the end of the fourth quarter of fiscal 2012. In January 2013, $6.8 million was paid to HMRC, representing the balance due over the approximately $30.0 million paid to HMRC in February 2012, and the balance of the reserve was used to pay associated costs.

UK VAT Matter

In fiscal 2010, we determined that there was an over-accrual of $2.0 million, which was reversed to revenue, with respect to the previously disclosed adverse ruling in the United Kingdom related to the imposition of UK value added tax, or UK VAT, on meeting fees earned in the United Kingdom.

Restructuring Charges

In fiscal 2009, we recorded $5.5 million of restructuring charges associated with our cost savings initiatives previously announced in the first quarter of fiscal 2009.

Long-Term Debt

On June 26, 2009, we amended our then-existing credit facilities, or collectively, the Prior WWI Credit Facility, to allow us to make loan modification offers to all lenders of any tranche of term loans or revolving loans to extend the maturity date of such loans and/or reduce or eliminate the scheduled amortization. Any such loan modifications would be effective only with respect to such tranche of term loans or revolving loans and only with respect to those lenders that accepted our offer. Loan modification offers could be accompanied by increased pricing and/or fees payable to accepting lenders. This amendment also provided for up to an additional $200.0 million of incremental term loan financing through the creation of a new tranche of term loans, provided that the aggregate principal amount of such new term loans could not exceed the amount then outstanding under our then-existing revolving credit facility. In addition, the proceeds from such new tranche of term loans could only be used to repay certain outstanding revolving loans and to reduce the commitments of certain revolving lenders. In connection with this amendment, we incurred fees of approximately $4.1 million during fiscal 2009.

On April 8, 2010, we amended the Prior WWI Credit Facility pursuant to a loan modification offer to all lenders of all tranches of term loans and revolving loans to, among other things, extend the maturity date of such loans. In connection with this amendment, certain lenders converted a total of $454.5 million of their outstanding term loans under a tranche A loan ($151.8 million) and additional tranche A loan ($302.7 million) into term loans under the new Term C Loan due 2015 (or 2013, upon the occurrence of certain events described in the Prior WWI Credit Facility agreement), and a total of $241.9 million of their outstanding term loans under the Term B Loan into term loans under the new Term D Loan due 2016 (each as defined hereafter). In addition, certain lenders converted a total of $332.6 million of their outstanding Revolver A-1 commitments into commitments

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under the new Revolver A-2 which would have terminated in 2014 (or 2013, upon the occurrence of certain events described in the Prior WWI Credit Facility agreement) (each as defined hereafter), including a proportionate amount of their outstanding Revolver A-1 loans into Revolver A-2 loans. Following these conversions of a total of $1,029.0 million of loans and commitments, at April 8, 2010, we had the same amount of debt outstanding under the Prior WWI Credit Facility and aggregate amount of availability under the Revolver A-1 and Revolver A-2 as we had immediately prior to such conversions. In connection, with this loan modification offer, we incurred fees of approximately $11.5 million during the second quarter of fiscal 2010.

On March 15, 2012, the composition of the Prior WWI Credit Facility changed as a result of our amending and restating the Prior WWI Credit Facility to, among other things, extend the maturity of certain of our term loan facilities and our revolving credit facility and to obtain new commitments for the borrowing of an additional $1,449.4 million of term loans to finance the purchases of shares of our common stock in the Tender Offer and from Artal Holdings pursuant to the Purchase Agreement. Following the amendment of the Prior WWI Credit Facility, (i) $33.1 million in aggregate principal amount of the Term A-1 Loan and $301.8 million in aggregate principal amount of the Term C Loan were converted into, and $849.4 million in aggregate principal amount of commitments to borrow new term loans were provided under, the new Term E Loan (as defined hereafter), (ii) $107.0 million in aggregate principal amount of the Term B Loan and $119.1 million in aggregate principal amount of the Term D Loan were converted into, and $600.0 million in aggregate principal amount of commitments to borrow new term loans were provided under, the new Term F Loan, and (iii) $262.0 million in aggregate principal amount of commitments under the Revolver A-1 were converted into the new revolving credit facility, Revolver A-2. The loans outstanding under each term loan facility existing prior to the amendment of the Prior WWI Credit Facility and the loans and commitments outstanding under the Revolver A-1, in each case that were not converted into the Term E Loan, the Term F Loan or the Revolver A-2, as applicable, continued to remain outstanding under the WWI Credit Facility as the Term A-1 Loan, the Term B Loan, the Term C Loan, the Term D Loan or the Revolver A-1, as applicable. In connection with this amendment, we incurred fees of approximately $26.2 million in the first quarter of fiscal 2012.

On April 2, 2013, we refinanced our credit facilities pursuant to a Credit Agreement, or the New Credit Agreement, among the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent and an issuing bank, The Bank of Nova Scotia, as revolving agent, swingline lender and an issuing bank, and the other parties thereto. The New Credit Agreement provides for (a) a revolving credit facility (including swing line loans and letters of credit) in an initial aggregate principal amount of $250.0 million that will mature on April 2, 2018, or the Revolving Facility, (b) an initial term B-1 loan credit facility in an aggregate principal amount of $300.0 million that will mature on April 2, 2016, or Tranche B-1 Term Facility, and (c) an initial term B-2 loan credit facility in an aggregate principal amount of $2,100.0 million that will mature on April 2, 2020, or Tranche B-2 Term Facility. We refer herein to the Tranche B-1 Term Facility together with the Tranche B-2 Term Facility as the Term Facilities, and the Term Facilities and Revolving Facility collectively as the WWI Credit Facility. In connection with this refinancing, we used the proceeds from borrowings under the Term Facilities to pay off a total of $2,399.9 million of outstanding loans, consisting of $128.8 million of Term B Loans, $110.6 million of Term C Loans, $117.6 million of Term D Loans, $1,125.0 million of Term E Loans, $817.9 million of Term F Loans, $21.2 million of loans under the Revolver A-1 and $78.8 million of loans under the Revolver A-2. Following the refinancing of a total of $2,399.9 million of loans, at April 2, 2013, we had $2,400.0 million debt outstanding under the Term Facilities and $248.8 million of availability under the Revolving Facility. We incurred fees of approximately $45.0 million during the second quarter of fiscal 2013 in connection with this refinancing. In the second quarter of fiscal 2013, we wrote-off fees associated with this refinancing which resulted in our recording a charge of $21.7 million in early extinguishment of debt.

For additional details on the WWI Credit Facility, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Long-Term Debt in Part II of this Annual Report on Form 10-K.

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Working Capital

The changes in the working capital deficit are primarily the result of year-over-year increases related to cash in connection with operations and a decrease in the current portion of long-term debt related to the refinancing of our credit facilities as well as the shift in timing of tax payments, accruals related to the UK self-employment matter and other operational items.

Franchise Acquisitions

The following are our key acquisitions since the beginning of fiscal 2009:

Acquisitions of Alberta and Saskatchewan, West Virginia, Columbus, Reno, Manitoba and Franklin and St. Lawrence Counties. On March 4, 2013, we acquired substantially all of the assets of our Alberta and Saskatchewan, Canada franchisees, Weight Watchers of Alberta Ltd. and Weight Watchers of Saskatchewan Ltd., for an aggregate purchase price of $35.0 million. On July 15, 2013, we acquired substantially all of the assets of our West Virginia franchisee, Weight Watchers of West Virginia, Inc., for a net purchase price of $16.0 million. On July 22, 2013, we acquired substantially all of the assets of our Columbus, Ohio franchisee, Weight Watchers of Columbus, Inc., for a net purchase price of $23.3 million and our Reno, Nevada franchisee, Weight Watchers of Northern Nevada, Inc., for a net purchase price of $4.0 million. On October 28, 2013, we acquired substantially all of the assets of our Manitoba, Canada franchisee, Weight Watchers of Manitoba Ltd., for a net purchase price of $5.2 million and our Franklin and St. Lawrence Counties, New York franchisee, Weight Watchers of Franklin and St. Lawrence Counties Inc., for a net purchase price of $0.3 million.

Acquisitions of Southeastern Ontario and Ottawa, Adirondacks and Memphis. On September 10, 2012, we acquired substantially all of the assets of our Southeastern Ontario and Ottawa, Canada franchisee, Slengora Limited, for a net purchase price of $16.8 million. On November 2, 2012, we acquired substantially all of the assets of our Adirondacks franchisee, Weight Watchers of the Adirondacks, Inc., for a purchase price of $3.4 million. On December 20, 2012, we acquired substantially all of the assets of our Memphis, Tennessee franchisee, Weight Watchers of the Mid-South, Inc., for a purchase price of $10.0 million.

These acquisitions were financed through cash from operations. These acquisitions have been accounted for as purchases and financial results have been included in our consolidated operating results since their respective dates of acquisition.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with the Selected Financial Data included in Item 6 of this Annual Report on Form 10-K and our consolidated financial statements and related notes included in Item 15 of this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. The cautionary statements discussed in Cautionary Notice Regarding Forward-Looking Statements and elsewhere in this Annual Report on Form 10-K should be read as applying to all forward-looking statements wherever they appear in this Annual Report on Form 10-K. Our actual results could differ materially from those discussed here. Factors that could cause or contribute to these differences include, without limitation, those discussed in Risk Factors included in Item 1A of this Annual Report on Form 10-K.

Overview

We derive our revenues principally from:

- *Meeting fees*. Members pay us fees to attend our weekly meetings.
- *Internet revenues*. We generate revenue from our Internet subscription products and from the sale of third-party Internet advertising.
- *In-meeting product sales*. We sell a range of products that complement our weight management plans, such as bars, snacks, cookbooks, food and restaurant guides with ***PointsPlus*** values, Weight Watchers magazines, ***PointsPlus*** calculators and ActiveLink activity monitors, to members in our meetings.
- *Licensing, franchise royalties and other*. We license the Weight Watchers brand and our other intellectual property in certain categories of foods and other relevant consumer products. We also endorse carefully selected branded consumer products. In addition, our franchisees typically pay us a royalty fee of 10% of their meeting fee revenues as well as purchase products for sale in their meetings. We also generate revenues from subscriptions for our magazines and third-party advertising in our publications.

Prior to fiscal 2014, we had two reporting segments: Weight Watchers International and WeightWatchers.com. All sources of revenue, other than Internet revenues, are included in our Weight Watchers International reporting segment. Over the past several years the mix of our revenues has shifted more toward our WeightWatchers.com reporting segment and away from our Weight Watchers International reporting segment. Revenues from our Weight Watchers International reporting segment contributed 69.4% of our total revenues in fiscal 2013, 72.2% of our total revenues in fiscal 2012, and 77.8% of our total revenues in fiscal 2011. Revenues from our WeightWatchers.com reporting segment contributed 30.6% of our total revenues in fiscal 2013, 27.8% of our total revenues in fiscal 2012, and 22.2% of our total revenues in fiscal 2011.

Effective the first day of fiscal 2014 (i.e. December 29, 2013), we realigned our organizational structure to better leverage our significant assets and align our innovation efforts, which resulted in new reporting segments (North America, United Kingdom, Continental Europe, and Rest of World) for the purpose of making operational and resource decisions and assessing financial performance. The segment information presented in this Annual Report on Form 10-K does not reflect this change as the change was not effected internally until our first quarter of fiscal 2014. We will begin reporting segment information based on these new segments in our Quarterly Report on Form 10-Q for the first quarter of fiscal 2014.

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The following table sets forth our revenues by category for the past five fiscal years.

Revenue Sources

(in millions)

	Fiscal 2013 (52 weeks)	Fiscal 2012 (52 weeks)	Fiscal 2011 (52 weeks)	Fiscal 2010 (52 weeks)	Fiscal 2009 (52 weeks)
Meetings fees	$ 851.6	$ 934.9	$ 990.3	$ 819.6	$ 817.5
Internet revenues	522.2	504.3	399.5	238.8	196.0
In-meeting product sales	212.0	253.2	281.8	260.5	251.4
Licensing, franchise royalties and other	138.3	147.0	160.9	145.2	147.7
Total	$ 1,724.1	$ 1,839.4	$ 1,832.5	$ 1,464.1	$ 1,412.6

From fiscal 2009 through fiscal 2013, our revenues increased at a compound annual growth rate of 5.1% primarily driven by paid weeks growth in the WeightWatchers.com business. Additional revenue details are as follows:

Meeting fees. From fiscal 2009 through fiscal 2013, meeting fees grew at a compound annual growth rate of 1.0%, with growth in our NACO meetings business being partially offset by declines in our UK and Continental European meetings businesses. This increase was driven by growth in our meeting paid weeks, which grew on a global basis at a compound annual growth rate of 0.6%. Beginning in NACO in the second quarter of fiscal 2010, year-over-year growth in recruitment trends, driven by strong new marketing and further fueled by the soft launch in the fourth quarter of fiscal 2010 of ***PointsPlus*** and ***ProPoints*** in our English-speaking markets, drove global meeting fees by the fourth quarter of fiscal 2010 to increase versus the comparable prior year period. The momentum of the new program launches in our English-speaking markets accelerated our recruitment trends in the first quarter of fiscal 2011, and, supported by strong marketing and public relations, resulted in global meeting fees that increased in every quarter of fiscal 2011 as compared to the respective prior year period. Fiscal 2012 had the challenge of being compared against the high levels of recruitment growth we experienced in fiscal 2011. Although we entered fiscal 2012 with a higher meeting membership base than we had at the beginning of fiscal 2011, lower enrollments in all 2012 fiscal quarters resulted in lower meeting fees for the year as compared to the prior year. Lower enrollments in the meetings business in fiscal 2012 were primarily driven by a decline in the English-speaking markets as we cycled against the momentum of their program innovations in the prior year. Despite the global introduction of the new Weight Watchers 360º plan, enrollments continued to decline in each fiscal 2013 quarter as compared to the prior year period. This negative enrollment trend coupled with a lower meetings active base at the beginning of fiscal 2013 versus the beginning of fiscal 2012 drove a further decline in meeting paid weeks in fiscal 2013 as compared to the prior year.

Internet revenues. From fiscal 2009 through fiscal 2013, our Internet revenues grew at a compound annual growth rate of 27.8%. The increase was primarily due to growth in the number of WeightWatchers.com end of period active Online subscribers which grew by over 900,000 subscribers from 762,660 at the end of fiscal 2009 to 1,746,182 at the end of fiscal 2013. This increase in Online subscribers drove growth in our Online paid weeks, which grew at a compound annual growth rate of 27.7% during that period. This increase in Online subscribers and paid weeks, which accelerated in fiscal 2011, was driven primarily by continued strong marketing campaigns which began in the second quarter of fiscal 2010 in the United States and the United Kingdom, and further benefited from the new program launches at the end of fiscal 2010. In addition, from fiscal 2009 through fiscal 2011, we had three new country launches which further drove growth in our subscriber base. In fiscal 2012, first-time dedicated television advertising coupled with effective marketing campaigns in Canada and Continental Europe primarily drove strong Online paid weeks growth in the year. Although our active Online subscriber base had a declining growth trend throughout fiscal 2012 which drove declining

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Online paid weeks growth throughout that year, this subscriber base was higher at the beginning of fiscal 2013 than at the beginning of fiscal 2012. In fiscal 2013, the Online paid weeks growth deceleration continued throughout the year driven by declining sign-ups in the US business. By the end of the first half of fiscal 2013, this decline in sign-ups led to our active Online subscriber base dropping below the prior year period. This negative sign-up trend continued in the second half of fiscal 2013 driven primarily by the US business, as the commercial weight loss category continued to be impacted by increasing consumer trial of activity monitors and free apps.

In-meeting product sales. Global product sales were down 4.2% on a compound annual growth rate from fiscal 2009 through fiscal 2013. Our average product sales per attendee in our meetings business grew from $4.63 to $4.94 at a compound annual growth rate of 1.6% during that period as a result of successful new product and program launches. However, we experienced a decline in the number of members attending meetings which drove a decline in our global product sales during that period.

Licensing revenues. Licensing revenues declined at a compound annual growth rate of 0.2% from fiscal 2009 through fiscal 2013. Despite our increased focus on expanding the number of Weight Watchers branded and endorsed products worldwide, the decrease in consumer confidence and discretionary spending from the global economic downturn negatively impacted this revenue category during that period. In addition, during fiscal 2012 and fiscal 2013, the licensing business was further negatively impacted by competition from lower priced store branded products.

Metrics and Business Trends

Performance Indicators and Market Trends

Our management reviews and analyzes several key performance indicators in order to manage our business and assess the quality and potential variability of our cash flows and earnings. These key performance indicators include:

- net revenues;
- paid weeks and attendance metrics;
- meeting fees per paid week and in-meeting product sales per attendee;
- the number of end of period Monthly Pass active subscribers and active Online subscribers; and
- gross profit and operating expenses as a percentage of revenue.

We believe that our revenues and profitability can be sensitive to major trends in the weight management industry. In particular, we believe that our business could be adversely impacted by:

- increased competition from Internet, free mobile and other weight management applications, activity monitors and other electronic weight management approaches;
- the development of more favorably perceived or more effective weight management methods, including pharmaceuticals;

a failure to develop innovative new services and products or to successfully expand into new channels of distribution;

a failure to successfully implement new strategic initiatives;

a decrease in the effectiveness of our marketing and advertising programs;

an impairment of the Weight Watchers brand and our other intellectual property;

a failure of our technology or systems to perform as designed; and

a downturn in general economic conditions or consumer confidence.

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Global Operations

The following tables set forth our paid weeks and meeting attendance by geography for the past five fiscal years:

	Paid Weeks in Company-Owned Operations (in millions)				
	Fiscal 2013 (52 weeks)	**Fiscal 2012 (52 weeks)**	**Fiscal 2011 (52 weeks)**	**Fiscal 2010 (52 weeks)**	**Fiscal 2009 (52 weeks)**
Online Paid Weeks	113.4	111.5	88.0	52.5	42.7
Meeting Paid Weeks:					
North America	59.7	66.0	69.9	55.3	55.8
United Kingdom	13.7	16.9	19.1	16.1	16.2
Continental Europe	13.2	13.4	12.2	13.6	12.7
Other International	2.5	2.9	3.6	2.9	2.9
Total Meeting Paid Weeks	89.1	99.2	104.8	87.9	87.6
Total Paid Weeks	202.5	210.7	192.8	140.4	130.3

	Meeting Attendance in Company-Owned Operations (in millions)				
	Fiscal 2013 (52 weeks)	**Fiscal 2012 (52 weeks)**	**Fiscal 2011 (52 weeks)**	**Fiscal 2010 (52 weeks)**	**Fiscal 2009 (52 weeks)**
North America	27.2	31.9	36.0	30.3	32.1
United Kingdom	7.5	9.7	11.6	10.2	11.4
Continental Europe	6.8	7.4	7.2	8.5	8.6
Other International	1.4	1.7	2.2	2.0	2.2
Total	42.9	50.7	57.0	51.0	54.3

The paid week metric reports total paid weeks by our customers in Company-owned operations for a given period. For Weight Watchers Online, paid weeks is the total paid Weight Watchers Online subscriber weeks for a given period. For meetings, paid weeks is the sum of total paid commitment plan weeks (e.g., Monthly Pass weeks) and total pay-as-you-go weeks for a given period. Before the launch of our commitment plans in the meetings business, our members were largely on a pay-as-you-go basis, and accordingly, growth in meeting attendance essentially approximated growth in meeting paid weeks. However, paid weeks and attendance are no longer directly correlated as the percentage of meeting paid weeks attributable to commitment plans far exceeds the percentage attributable to pay-as-you-go .

As shown in the table above, our total paid weeks grew from 130.3 million in fiscal 2009 to 202.5 million in fiscal 2013, or 11.7% on a compound annual growth rate basis. Weight Watchers Online paid weeks grew from 42.7 million in fiscal 2009 to 113.4 million in fiscal 2013, or 27.7% on a compound annual growth rate basis. Our total meeting paid weeks grew from 87.6 million in fiscal 2009 to 89.1 million in fiscal 2013, or 0.4% on a compound annual growth rate basis. While franchise acquisitions had a de minimis impact on the compound annual growth rate for total paid weeks, these acquisitions benefited the compound annual growth rate of meeting paid weeks by 0.3%.

As shown in the table above, our annual meeting attendance in our Company-owned operations has declined from 54.3 million for fiscal 2009 to 42.9 million for fiscal 2013, a decline of 5.7% on a compound annual growth rate basis which includes a 0.5% benefit from franchise acquisitions. Our average meeting revenue per attendee, however, increased over the same period, largely as a result of Monthly Pass growing penetration in NACO and other markets and growth in product sales per attendee.

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WeightWatchers.com Metrics and Business Trends

From fiscal 2009 to fiscal 2013, Internet revenues grew at a compound annual growth rate of 27.8%. This growth was primarily driven by growth in Online subscription revenue of 29.1% on a compound annual growth rate basis from fiscal 2009 to fiscal 2013. Subscription revenue growth was driven by an increase in Online paid weeks from 42.7 million in fiscal 2009 to 113.4 million in fiscal 2013, a compound annual growth rate of 27.7%. End of period active Online subscribers grew from 0.8 million at the end of fiscal 2009 to 1.7 million at the end of fiscal 2013, a compound annual growth rate of 23.0%. This successful growth resulted primarily from a combination of new subscribers in our major markets and launches of WeightWatchers.com subscription products in three new markets. In addition, WeightWatchers.com, like the meetings business, benefited from the new program launches of ***PointsPlus*** and ***ProPoints*** in fiscal 2010 and fiscal 2011 and the introduction of new products, including applications for mobile devices such as the iPhone®, iPad® and Android devices. Marketing, particularly first-time dedicated television advertising coupled with effective marketing campaigns in Canada and Continental Europe in the case of fiscal 2012, continued to drive subscription growth from fiscal 2009 through the first three quarters of fiscal 2013. Although Online paid weeks still grew in fiscal 2013 as compared to fiscal 2012, driven by a higher active Online subscriber base at the beginning of fiscal 2013 versus fiscal 2012, the declining trend of Online paid weeks growth in fiscal 2012 continued into fiscal 2013. For the first and second quarters of fiscal 2013, Online paid weeks grew 10.3% and 4.4% versus the prior year period, respectively. Conversely, for the third and fourth quarters of fiscal 2013, Online paid weeks declined 2.6% and 6.5% versus the prior year period, respectively. The decline was primarily driven by declining sign-ups in the US business as the commercial weight loss category continued to be impacted by increasing consumer trial of activity monitors and free apps. As a result, Online paid weeks in the second half of fiscal 2013 were below those in the prior year period.

In addition to generating revenues from its subscription-based offerings, WeightWatchers.com also provides a means for companies to advertise on our websites. This advertising revenue increased at a compound annual growth rate of 4.4% from fiscal 2009 to fiscal 2013. This increase was driven primarily by advertising growth in the United States followed by Germany.

North America Meeting Metrics and Business Trends

In 2009, the weak economy in the United States had a significant impact on our meetings business. The economic recession, coupled with reduced credit availability, adversely impacted consumer spending. We saw the impact most acutely in enrollments, particularly of new members who had never been to Weight Watchers. In fiscal 2009, meeting paid weeks declined by 8.4% versus fiscal 2008. Attendance also declined versus the prior year.

In fiscal 2010, NACO meeting paid weeks declined 1.0% and attendance declined 5.7% versus the prior year as a result of performance weakness in the early part of the year. In the spring of fiscal 2010, NACO launched a new marketing strategy and campaign focused on member experience, featuring Jennifer Hudson as its new spokesperson. With this change, business performance began an improvement trend in the second quarter of fiscal 2010 that continued through the rest of the year. In addition, NACO initiated other growth strategies during fiscal 2010, including revamping the retail structure in select markets. These new strategies coupled with the launch of the ***PointsPlus*** program in late November resulted in a positive end to fiscal 2010, with solid growth in the fourth quarter in both meeting paid weeks and attendance, up 4.2% and 6.8%, respectively, versus the fourth quarter of 2009.

In fiscal 2011, NACO meeting paid weeks increased 26.4% and attendances increased 18.8% versus the prior year level. We entered fiscal 2011 with more active members than at the beginning of fiscal 2010 driven by the momentum of the new program launch and supported by strong marketing and public relation activities. The quarterly growth trend in meeting paid weeks and attendances in fiscal 2011 versus prior year quarters continued to be strong, albeit at a slightly slower pace, as we began to cycle against the highly successful marketing campaign in the second quarter of fiscal 2010 and the soft launch of our new program innovation in the fourth quarter of fiscal 2010. For the first, second, third and fourth quarters of fiscal 2011, meeting paid weeks increased 32.6%, 31.9%, 25.9% and 15.0% and attendances increased 33.1%, 19.8%, 13.6% and 5.5%, respectively, as compared to the prior year periods.

In fiscal 2012, NACO meeting paid weeks decreased 5.6% and attendances decreased 11.4% versus the prior year level. Although we entered fiscal 2012 with more active members than at the beginning of fiscal 2011, we experienced lower enrollments in the first quarter of fiscal 2012 as we cycled against the historically high levels of recruitment growth in the first quarter of fiscal 2011. The decline in enrollments in the first quarter of fiscal 2012, caused in part by lack of new program news and execution challenges associated with introducing Monthly Pass in the small accounts portion of its corporate business, drove a meeting paid weeks decline of 6.0% and an attendance decline of 11.9%, and also resulted in entering the second quarter of fiscal 2012 with a lower meeting membership base, as compared to the prior year period. The declining trend in meeting paid weeks and attendance in fiscal 2012 continued through the remainder of the year. For the second, third and fourth quarters of fiscal 2012, meeting paid weeks decreased 5.5%, 3.6% and 7.3% and attendances decreased 9.9%, 9.4% and 14.5%, respectively, as compared to the prior year periods.

In fiscal 2013, NACO meeting paid weeks decreased 9.4% and attendances decreased 14.7% versus the prior year level. The decline in meeting paid weeks primarily resulted from the lower meetings active base at the beginning of fiscal 2013 versus the beginning of fiscal 2012 as well as from lower enrollments in fiscal 2013 versus the prior year, primarily in the United States, due to the difficulty in attracting members to our brand. Although we introduced our new Weight Watchers 360° plan in December 2012, this new plan was not as effective in driving consumer trial as our ***PointsPlus*** innovation. For the first, second, third and fourth quarters of fiscal 2013, meeting paid weeks decreased 6.5%, 10.0%, 10.7% and 10.8% and attendances decreased 15.9%, 14.5%, 14.7% and 13.1%, respectively, as compared to the prior year periods. The Company completed three franchise acquisitions in NACO in the second half of fiscal 2012 as well as seven franchise acquisitions in fiscal 2013. These franchise acquisitions benefitted NACO meeting paid weeks by 1.7% and attendances by 2.8% in fiscal 2013.

United Kingdom Meeting Metrics and Business Trends

Despite a weak economy in the United Kingdom in fiscal 2009, effective marketing and promotional activity resulted in an increase in meeting paid weeks, up 8.1% in fiscal 2009 as compared to the prior year, reflecting increased penetration of Monthly Pass in that market. Attendance in fiscal 2009 declined slightly, down 1.5% versus the prior year.

In fiscal 2010, meeting paid weeks declined by 0.4%, and meeting attendance declined 10.5%, compared to fiscal 2009. First quarter fiscal 2010 UK volumes were significantly impacted by weather and cycling against a program innovation in the prior year. The United Kingdom continued to experience steep declines in attendance in 2010 versus the prior year, down 8.5% in the second quarter and 9.4% in the third quarter. The United Kingdom launched its new program, ***ProPoints,*** in early November 2010, and saw attendance growth as a result of the launch. However, because of limited marketing prior to the new program launch and bad weather during the launch period, fourth quarter 2010 attendance decreased 11.3% versus the fourth quarter of fiscal 2009.

In fiscal 2011, meeting paid weeks grew 18.3% versus the prior year, benefiting from enrollment growth concurrent with the launch of ***ProPoints*** late in fiscal 2010 and early fiscal 2011 and an increase in Monthly Pass penetration. As with NACO, this growth in recruitment resulted in a larger customer base and as a result, attendances also grew, up 13.7% versus the prior year. Despite the negative impact of the Royal Wedding and Easter timing on second quarter fiscal 2011 attendance, meeting paid weeks and attendance grew in each fiscal 2011 quarter versus the prior year period.

In fiscal 2012, meeting paid weeks declined 11.3% and attendances decreased 16.5% versus the prior year level. As with NACO, the United Kingdom entered fiscal 2012 with more active members as compared to the beginning of fiscal 2011, but experienced lower enrollments in the first quarter of fiscal 2012 versus the prior year period. These lower enrollments were driven by cycling against the historically high recruitment levels in

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the first quarter of fiscal 2011 and resulted in a decline in meeting paid weeks. This declining trend continued throughout the rest of fiscal 2012 and was negatively impacted by an advertising campaign that was ineffective at driving enrollment growth and weak macro-economic trends.

In fiscal 2013, meeting paid weeks declined 19.2% and attendances decreased 22.7% versus the prior year level. Meeting paid weeks negative performance in fiscal 2013 was driven by the lower meetings active base at the beginning of fiscal 2013 versus the beginning of fiscal 2012 coupled with lower enrollments in the period as compared to enrollment levels in the prior year. In fiscal 2013, local competition in the United Kingdom significantly contributed to the decline in enrollments. For the first, second, third and fourth quarters of fiscal 2013, meeting paid weeks declined 17.8%, 19.0%, 21.1% and 19.4%, and attendances declined 25.8%, 20.3%, 22.7% and 20.5%, respectively, as compared to the prior year periods.

Continental Europe Meeting Metrics and Business Trends

In fiscal 2009, most of our Continental European markets were deeply affected by difficult recessionary conditions. While Continental Europe experienced meeting paid weeks growth of 1.6% versus the prior year as the market continued to benefit from increased Monthly Pass penetration, attendance declined 11.8% versus the prior year. A major new innovative program, ***ProPoints***, was launched in the fourth quarter of fiscal 2009.

In fiscal 2010, meeting paid weeks, benefiting from enrollment growth early in the year and an increase in Monthly Pass penetration, grew 6.9% versus the prior year, while attendance in Continental Europe declined 1.6% versus the prior year. In the first half of fiscal 2010, the Continental European market experienced attendance growth as a result of the ***ProPoints*** program launch in fiscal 2009, which drove an influx of returning members to our meetings. The marketing of this new program, however, was not successful in capturing the attention of new members and, as a result, attendance began to decline in the third quarter of fiscal 2010.

Entering fiscal 2011, Continental European performance continued its downward trend, with meeting paid weeks down 9.8% versus the prior year and attendances down 15.4% versus the prior year. In the first half of fiscal 2011, meeting paid weeks declined by 13.1% and attendance declined by 18.9% versus the prior year period, as the business lapped the momentum of its program launch in the prior year. While still negative versus the prior year period, the trend began to improve in the third quarter of fiscal 2011 with meeting paid weeks down 6.0% and attendances down 15.1%. In the fourth quarter of fiscal 2011, Continental Europe soft launched its updated version of ***ProPoints*** in December, resulting in a less negative performance with meeting paid weeks down 4.9% and attendances down 4.3% versus the prior year period.

In fiscal 2012, meeting paid weeks grew 9.2%, and attendances grew 3.3%, versus the prior year. This growth was driven by entering fiscal 2012 with a higher active member base than the prior year and the benefit of higher enrollment growth from the launch of the updated version of ***ProPoints*** in late fiscal 2011 and early fiscal 2012, effective new marketing strategies and an increase in Monthly Pass penetration. For the first, second, third and fourth quarters of fiscal 2012, meeting paid weeks grew 5.4%, 11.0%, 12.1% and 9.0%, and attendances grew 4.3%, 2.7%, 4.9% and 1.0%, respectively, as compared to the prior year periods.

In fiscal 2013, meeting paid weeks declined 1.5%, and attendances declined 8.1%, versus the prior year. This decrease in meeting paid weeks was driven by lower enrollments in fiscal 2013 as compared to the prior year. Lower enrollments were the result of cycling against the successful launch of the updated program and the new advertising campaigns in the prior year period. However, the negative impact of enrollments on meeting paid weeks was minimized by the higher meetings active base at the beginning of fiscal 2013 versus the beginning of fiscal 2012. For the first, second, third and fourth quarters of fiscal 2013, meeting paid weeks declined 1.0%, 1.6%, 1.7% and 1.7%, and attendances declined 10.9%, 6.7%, 8.2% and 5.7%, respectively, as compared to the prior year periods.

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Fiscal 2014: Anticipated Business Metrics, Trends and Other Events

Due to increasing competitive pressures, including the impact of the increasing consumer trial of activity monitors and free apps in the commercial weight loss category, and less impactful marketing of our new two-week starter plan, Simple Start, management anticipates negative recruitment trends to continue into 2014. Given the lower starting active base at the beginning of fiscal 2014 versus the beginning of fiscal 2013 and the weak recruitment environment continuing into 2014, management expects declines in paid weeks in fiscal 2014 to be higher than the declines experienced in fiscal 2013. Management expects Online paid weeks in fiscal 2014 to decline at a higher rate than that experienced in the second half of fiscal 2013. For NACO, the United Kingdom and Continental Europe, management anticipates meeting paid weeks and attendances in fiscal 2014 to decline at a higher rate than that experienced in fiscal 2013. Given these expected negative trends, management expects revenues to decline at a higher rate in fiscal 2014 than that experienced in fiscal 2013.

To help offset this anticipated revenue decline, our strategy for fiscal 2014 includes investments in certain key areas to support future growth and plans to reduce costs aggressively elsewhere. As part of this cost savings initiative, the Company is undertaking a plan of termination which will result in the elimination of certain positions and employees worldwide. In connection with this plan, the Company anticipates recording restructuring charges in connection with employee termination benefit costs of approximately $10.0 million (which is expected to be divided equally between general and administrative expenses and operating expenses related to field restructuring) during the first and second quarters of fiscal 2014.

Margins

Gross Margin

The following table sets forth our gross profit and gross margin for the past five fiscal years, as adjusted to exclude the impact of the UK VAT and the UK self-employment matters:

(in millions)	**2013**	**2012**	**2011**	**2010**	**2009**
Gross Profit	$ 1,001.1	$ 1,093.8	$ 1,058.5	$ 800.8	$ 740.8
Gross Margin	*58.1%*	*59.5%*	*57.8%*	*54.7%*	*52.4%*
Adjustments to Reported Amounts					
UK self-employment accrual(1)		(14.5)			32.5
UK VAT ruling accrual(2)				(2.0)	
Gross Profit, as adjusted(1)(2)	$ 1,001.1	$ 1,079.3	$ 1,058.5	$ 798.8	$ 773.3
Gross Margin impact from above adjustments(1)(2)		*0.8%*		*0.0%*	*(2.3%)*
Gross Margin, as adjusted(1)(2)	*58.1%*	*58.7%*	*57.8%*	*54.6%*	*54.7%*

Note: Totals may not sum due to rounding

(1) As adjusted is a non-GAAP financial measure that adjusts the consolidated statements of net income for fiscal 2012 to exclude the impact of a $14.5 million decrease to cost of revenues related to the settlement of the UK self-employment matter and that adjusts the consolidated statements of net income for fiscal 2009 to exclude $32.5 million in cost of revenues for the impact of the UK self-employment matter.

(2) As adjusted is a non-GAAP financial measure that adjusts the consolidated statements of net income for fiscal 2010 to exclude the benefit of a $2.0 million increase to revenues from the reversal of the previously disclosed over-accrual related to the adverse UK VAT ruling.

See Non-GAAP Financial Measures below for an explanation of our use of non-GAAP financial measures.

In the period from fiscal 2009 through fiscal 2013 our gross margin ranged from a high of 59.5% in fiscal 2012 to a low of 52.4% in fiscal 2009. Excluding the impact of the UK VAT and UK self-employment matters in the period, our gross margin ranged from a high of 58.7% in fiscal 2012 to a low of 54.6% in fiscal 2010. As the higher margin WeightWatchers.com business grew over the period and became a larger share of our revenue mix, our adjusted gross margin expanded, most notably from fiscal 2010 through fiscal 2012. In addition, with its fixed cost business model, growth within the WeightWatchers.com business resulted in margin expansion in that

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business during the period. Conversely, in the meetings business, our meetings staff is usually paid on a commission basis and space is rented as needed in most instances. When it becomes more cost effective to do so, in various geographies (particularly North America), we rent centers at reasonable rates with relatively short lease terms. Moreover, we adjust the number of meetings according to demand. This variable cost structure has historically enabled us to maintain high margins even as we have experienced a decline in the number of attendances per meeting. When attendances per meeting decline, our gross margins typically decline. In fiscal 2013, the decline in attendances per meeting outpaced our ability to reduce the meetings infrastructure resulting in a decline in the adjusted gross margin versus the prior year.

Operating Margin

The following table sets forth our Operating Income for the past five fiscal years, as adjusted to exclude the impact of the UK VAT and UK self-employment matters as well as the previously reported impact of restructuring charges:

(in millions)	2013	2012	2011	2010	2009
Operating Income	$ 460.8	$ 510.8	$ 546.3	$ 390.3	$ 356.7
Operating Income Margin	*26.7%*	*27.8%*	*29.8%*	*26.7%*	*25.2%*
Adjustments to Reported Amounts					
UK Self-employment accrual(1)		(14.5)			32.5
UK VAT ruling accrual(2)				(2.0)	
Restructuring charges(1)					5.5
Operating Income, as adjusted(1) (2)	$ 460.8	$ 496.3	$ 546.3	$ 388.3	$ 394.6
Operating Income Margin impact from above adjustments(1)(2)		*0.8%*		*0.0%*	*(2.7%)*
Operating Income Margin, as adjusted(1) (2)	*26.7%*	*27.0%*	*29.8%*	*26.5%*	*27.9%*

Note: Totals may not sum due to rounding

(1) As adjusted is a non-GAAP financial measure that adjusts the consolidated statements of income for fiscal 2012 to exclude the impact of a $14.5 million decrease to cost of revenues related to the settlement of the UK self-employment matter and that adjusts the consolidated statements of income for fiscal 2009 to exclude $32.5 million in cost of revenues for the impact of the UK self-employment matter and the $5.5 million impact of restructuring charges.

(2) As adjusted is a non-GAAP financial measure that adjusts the consolidated statements of net income for fiscal 2010 to exclude the benefit of a $2.0 million increase to revenues from the reversal of the previously disclosed over-accrual related to the adverse UK VAT ruling.

See Non-GAAP Financial Measures below for an explanation of our use of non-GAAP financial measures.

In the period from fiscal 2009 through fiscal 2013 our operating income margin ranged from a high of 29.8% in fiscal 2011 to a low of 25.2% in fiscal 2009. Excluding the impact of the UK VAT and UK self-employment matters and the impact of our previously reported restructuring charges in the period, our operating income margin ranged from a high of 29.8% in fiscal 2011 to a low of 26.5% in fiscal 2010. In fiscal 2010, the operating income margin of the Company was driven by significant investment for the preparation and launch of the ***PointsPlus*** program in the United States and Canada and ***ProPoints*** program in the United Kingdom and Australia, increased marketing for our WeightWatchers.com business, and a charge associated with the settlement of a California labor litigation.

In fiscal 2011, the operating income margin of the Company was 29.8%, the highest in the five-year period. This was despite the increased marketing in WeightWatchers.com stemming from the initiative focused on building awareness and relevance of the Weight Watchers brand with the male demographic, as well as expenses in support of growth initiatives, including technology for the development of our mobile platforms and additions to staff in support of business development. These higher expenses were more than offset by the efficiencies we gained from higher average attendance in our meetings and the impact of the higher margin WeightWatchers.com business becoming a larger component of our revenue mix.

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In fiscal 2012, excluding the impact of the UK self-employment matter, operating income margin declined to 27.0% from 29.8% in the prior year. This decline in operating income margin was primarily driven by costs related to first time Online TV marketing campaigns in several of our international markets and our significant investment in marketing the Weight Watchers Online product to men in the United States, as well as, selling, general and administrative expenses in support of our growth initiatives.

In fiscal 2013, operating income margin further declined to 26.7% from an adjusted operating income margin of 27.0% in the prior year. This decrease in operating income margin was primarily the result of lower gross margin largely offset by lower marketing expense. Lower marketing expense was driven primarily from the elimination of inefficient digital advertising and the lack of a men s campaign in the United States, in fiscal 2013 versus the prior year.

Non-GAAP Financial Measures

To supplement our consolidated results presented in accordance with accounting principles generally accepted in the United States, or GAAP, we have disclosed non-GAAP financial measures of operating results that exclude or adjust certain items. Net income and earnings per fully diluted share are discussed in this Annual Report on Form 10-K both as reported (on a GAAP basis) and as adjusted (on a non-GAAP basis) to exclude the impact from the early extinguishment of debt charge recorded in connection with our previously announced April 2, 2013 refinancing of our long-term debt. Net revenues, cost of revenues, gross profit and gross margin, operating income and operating income margin, net income, earnings per fully diluted share, and effective tax rate, including components thereof, are discussed in this Annual Report on Form 10-K both as reported (on a GAAP basis) and as adjusted (on a non-GAAP basis) to exclude from fiscal 2012, in connection with the settlement of the UK self-employment matter, the benefit of a partial accrual reversal of a charge originally recorded in the fourth quarter of fiscal 2009, and from fiscal 2010 the revenue benefit of a partial accrual reversal of a charge originally recorded in connection with the previously disclosed adverse UK VAT ruling; and to adjust fiscal 2009 results for both the impact of the UK self-employment matter and the impact of restructuring charges associated with our previously disclosed cost savings initiatives. We generally refer to such non-GAAP measures as excluding or adjusting for the impact of the early extinguishment of debt charge, the settlement, accrual reversal, these rulings, these matters and/or these restructuring charges. Our management believes these non-GAAP financial measures provide supplemental information to investors regarding the performance of our business and are useful for period-over-period comparisons of the performance of our business. While we believe that these financial measures are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. In addition, these non-GAAP financial measures may not be the same as similarly entitled measures reported by other companies.

Use of Constant Currency

As exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of results on a constant currency basis in addition to reported results helps improve investors ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. We use results on a constant currency basis as one measure to evaluate our performance. In this Annual Report on Form 10-K, we calculate constant currency by calculating current-year results using prior-year foreign currency exchange rates. We generally refer to such amounts calculated on a constant currency basis as excluding or adjusting for the impact of foreign currency or being on a constant currency basis. These results should be considered in addition to, not as a substitute for, results reported in accordance with GAAP. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with GAAP.

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Critical Accounting Policies

Management s Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to inventories, the impairment analysis for goodwill and other indefinite-lived intangible assets, share-based compensation, income taxes, tax contingencies and litigation. We base our estimates on historical experience and on various other factors and assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We believe the following accounting policies are most important to the portrayal of our financial condition and results of operations and require our most significant judgments and estimates.

Revenue Recognition

WWI earns revenue by conducting meetings, selling products in its meetings and to its franchisees, collecting commissions from franchisees, collecting royalties related to licensing agreements and selling advertising space in and copies of its magazines. Monthly Pass, prepaid meeting fees and magazine subscription revenue is recorded to deferred revenue and amortized into revenue over the period earned. Revenue from pay-as-you-go meeting fees, product sales, commissions and royalties is recognized when services are rendered, products are shipped to customers and title and risk of loss pass to the customers, and commissions and royalties are earned, respectively. Advertising revenue is recognized when advertisements are published. Revenue from magazine sales is recognized when the magazine is sent to the customer. We charge non-refundable registration fees in exchange for an introductory information session and materials we provide to new members in our meetings business. Revenue from these registration fees is recognized when the service and products are provided, which is generally at the same time payment is received from the customer. Discounts to customers, including free registration offers, are recorded as a deduction from gross revenue in the period such revenue was recognized.

The classification of certain brand marketing funds received from licensees has been revised to reflect them as revenue as opposed to being recorded as an offset to expense, increasing first nine months of fiscal 2013, fiscal 2012, fiscal 2011, fiscal 2010 and fiscal 2009 Product sales and other, net, Cost of meetings, products and other, Gross profit, Marketing expenses and Selling, general and administrative expenses as follows:

			Fiscal		
	2013	**2012**	**2011**	**2010**	**2009**
Product sales and other, net	$ 12.1	$ 12.6	$ 13.3	$ 12.0	$ 13.7
Cost of meetings, products and other	$ 1.1	$ 1.6	$ 2.0	$ 1.9	$ 0.9
Gross profit	$ 11.0	$ 11.0	$ 11.4	$ 10.2	$ 12.8
Marketing expenses	$ 10.3	$ 10.2	$ 10.6	$ 9.4	$ 12.3
Selling, general and administrative expenses	$ 0.7	$ 0.9	$ 0.8	$ 0.8	$ 0.6

WeightWatchers.com primarily generates revenue from monthly subscriptions for our Internet subscription products as well as Online advertising. Subscription fee revenues are recognized over the period that products are provided. One-time sign-up fees are deferred and recognized over the expected customer relationship period. Subscription fee revenues that are paid in advance are deferred and recognized on a straight-line basis over the subscription period. Online advertising revenue is recognized when the advertisement is viewed by the user of the website.

We grant refunds in aggregate amounts that historically have not been material. Because the period of payment of the refund generally approximates the period revenue was originally recognized, refunds are recorded as a reduction of revenue when paid.

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Franchise Rights Acquired, Goodwill and Other Intangible Assets

Finite-lived intangible assets are amortized using the straight-line method over their estimated useful lives of 3 to 20 years. We review goodwill and other indefinite-lived intangible assets, including franchise rights acquired, for potential impairment on at least an annual basis or more often if events so require. We performed fair value impairment testing as of the end of fiscal 2013 and fiscal 2012 on our goodwill and other indefinite-lived intangible assets.

In performing the impairment analysis for goodwill, the fair value for our reporting units is estimated using a discounted cash flow approach. This approach involves projecting future cash flows attributable to the reporting unit and discounting those estimated cash flows using an appropriate discount rate. The estimated fair value is then compared to the carrying value of the reporting unit. We have determined the appropriate reporting unit for purposes of assessing annual impairment to be the country for all reporting units aside from WeightWatchers.com, for which the reporting unit has been aggregated into one unit. The values of goodwill for the WWI reporting units in the United States, Canada and other countries at December 28, 2013 were $32.7 million, $5.1 million and $3.7 million, respectively, totaling $41.5 million. The value of goodwill for the WeightWatchers.com reporting unit at December 28, 2013 was $37.8 million.

In performing the impairment analysis for franchise rights acquired, the fair value for our franchise rights acquired is estimated using a discounted cash flow approach referred to as the hypothetical start-up approach. The estimated fair value is then compared to the carrying value of the unit of accounting for those franchise rights. We have determined the appropriate unit of account for purposes of assessing annual impairment to be the country in which the acquisitions have occurred. The values of these franchise rights in the United States, Canada, United Kingdom, Australia/New Zealand and other countries at December 28, 2013 were $697.3 million, $110.4 million, $14.4 million, $13.7 million and $1.0 million, respectively, totaling $836.8 million.

When determining fair value, we utilize various assumptions, including projections of future cash flows, growth rates and discount rates. A change in these underlying assumptions will cause a change in the results of the tests and, as such, could cause fair value to be less than the carrying amounts. In the event such a decrease occurred, we would be required to record a corresponding charge, which would impact earnings. We would also be required to reduce the carrying amounts of the related assets on our balance sheet. We continue to evaluate these estimates and assumptions and believe that these assumptions are appropriate.

In performing the impairment analysis for the fiscal year ended December 28, 2013, we determined that, based on the fair values calculated, the carrying amounts of the franchise rights acquired related to our Mexico and Hong Kong operations exceeded their respective fair values as of the end of fiscal 2013 and recorded impairment charges of $935 and $231, respectively. We determined that the carrying amounts of our other remaining assets did not exceed their respective fair values, and therefore, no other impairment existed.

We estimate future cash flows for each unit of accounting by utilizing the historical cash flows attributable to the rights in that country and then applying a growth rate using a blend of the historical operating income growth rates for such country and expected future operating income growth rates for such country. We utilize operating income as the basis for measuring our potential growth because we believe it is the best indicator of the performance of our business. For fiscal 2013, the compound annual growth rates used in our discounted cash flow analysis ranged from a decline of approximately 5% to growth of approximately 12%. In applying the hypothetical start-up approach in fiscal 2013, we generally assume the year of maturity is reached after 7 years. Subsequent to the year of maturity we have assumed growth rates ranging from a decline of approximately 2% to growth of approximately 8%. For fiscal 2012, the blended growth rates used in our discounted cash flow analysis ranged from a decline of approximately 3% to growth of approximately 50%. We then discount the estimated future cash flows utilizing a discount rate which is calculated using the average cost of capital, which includes the cost of equity and the cost of debt. The cost of equity is determined by combining a risk-free rate of return and a market risk premium. The risk-free rate of return is generally determined based on the average rate of long-

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term U.S. Treasury securities. The market risk premium is generally determined by reviewing external market data. When appropriate, we further adjust the resulting combined rate to account for certain entity-specific factors such as maturity of the market in order to determine the utilized discount rate. The cost of debt is our average borrowing rate for the period. The discount rates used in our fiscal 2013 year-end impairment test and our fiscal 2012 year-end impairment test averaged approximately 9.1% and 9.2%, respectively.

At the end of fiscal 2013, we estimated that approximately 99% of our goodwill and 87% of our franchise rights acquired had a fair value at least 50% higher than their respective carrying amounts. In the United States, the region which held approximately 41% of the goodwill and 83% of the franchise rights acquired, the aggregate fair value of both our reporting units and franchise rights acquired was at least 50% higher than the aggregate carrying value of the reporting units and franchise rights acquired, respectively. Given that there is a significant difference between the fair value and carrying value of our franchise rights acquired, we believe there are currently no reasonably likely changes in assumptions that would cause a material impairment charge.

Information concerning significant accounting policies affecting us is set forth in Note 2 of our consolidated financial statements, contained in Part IV, Item 15 of this Annual Report on Form 10-K.

RESULTS OF OPERATIONS FOR FISCAL 2013 (52 weeks) COMPARED TO FISCAL 2012 (52 weeks)

OVERVIEW

Fiscal 2012 was a year of modest revenue growth of 0.4%, with growth in the Online business almost fully offset by declines in the meetings business. In fiscal 2012, total paid weeks continued to grow at a decelerating rate in each fiscal quarter versus the prior year period due to a challenging recruitment environment, particularly from our global meetings business.

This challenging recruitment environment continued for both the Online and meetings businesses into fiscal 2013, with increased competitive pressure in the Online business from the increasing consumer trial of activity monitors and free apps. As we entered fiscal 2013, our meetings business active base was lower than the beginning of fiscal 2012. Conversely, though our active Online subscriber base had a declining growth trend throughout fiscal 2012, this subscriber base was higher at the beginning of fiscal 2013 than at the beginning of fiscal 2012. The difficult recruitment environment in fiscal 2013 had the impact of further reducing the active bases in both our meetings and Online businesses as we progressed through fiscal 2013.

Each fiscal 2013 quarter had consistently weak and deteriorating recruitment performance, which further drove declining active bases, as compared to the prior year period resulting in paid weeks and revenue trends that became progressively worse throughout the year with the fourth quarter of fiscal 2013 having the weakest performance. In the first quarter of fiscal 2013, total paid weeks were still above the prior year period by 1.4%. However, in the second, third and fourth quarters of fiscal 2013, driven by this negative recruitment trend, total paid weeks declined 2.5%, 6.6% and 8.5%, respectively, as compared to the prior year period. Online paid weeks in the third quarter of fiscal 2013 declined 2.6% versus the prior year period. This was the first time in our history that Online paid weeks declined on a year-over-year basis.

Driven by the decline in paid weeks, total revenue for fiscal 2013 declined 6.3% as compared to the prior year. This revenue decrease was driven primarily by the meetings business where revenue declined in all four quarters versus the respective prior year periods, with a full year decline of 10.1% versus the prior year. Conversely, Online revenues grew in the first three quarters, but at decelerating rates, such that by the fourth quarter of fiscal 2013, our Online business had its first-ever quarter of declining revenue versus the prior year period, down 5.2%. However, for the full year of fiscal 2013, Online revenues increased 3.5% versus the prior year.

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During fiscal 2013, cost savings initiatives, driven primarily by significant marketing and other cost savings initiatives, partially offset declines in revenues throughout the year. However, despite these initiatives, operating income declined 9.8%, which included the benefit related to the settlement of the previously disclosed UK self-employment matter.

The table below sets forth selected financial information for fiscal 2013 from our consolidated statements of income for fiscal 2013 versus selected financial information for fiscal 2012 from our consolidated statements of income for fiscal 2012, on both a reported basis and an adjusted basis. Results for fiscal 2012 are adjusted to exclude the $4.1 million (after-tax) benefit related to the settlement of the previously disclosed UK self-employment matter. See Non-GAAP Financial Measures above.

Summary of Selected Financial Data as Reported and Adjusted

	(In millions, except per share amounts)			
	Fiscal 2013	**Fiscal 2012**	**Increase/ (Decrease)**	**% Change**
Revenues	$ 1,724.1	$ 1,839.4	$ (115.3)	(6.3%)
Cost of revenues (as adjusted)(1)	723.0	760.2	(37.1)	(4.9%)
UK Self-employment settlement(1)		(14.5)	14.5	
Cost of revenues	723.0	745.6	(22.6)	(3.0%)
Gross Profit	1,001.1	1,093.8	(92.7)	(8.5%)
Gross Margin %	*58.1%*	*59.5%*		
Marketing expenses	295.6	353.7	(58.0)	(16.4%)
Selling, general & administrative expenses	244.7	229.3	15.4	6.7%
Operating income	460.8	510.8	(50.0)	(9.8%)
Operating Income Margin %	*26.7%*	*27.8%*		
Interest expense (as adjusted)(1)	103.1	83.4	19.7	23.6%
UK Self-employment settlement(1)		7.1	(7.1)	(100.0%)
Interest expense	103.1	90.5	12.6	13.9%
Other expense, net	0.6	2.0	(1.4)	(69.7%)
Early extinguishment of debt	21.7	1.3	20.4	
Income before income taxes	335.4	417.0	(81.6)	(19.6%)
Provision for income taxes (as adjusted)(1)	130.6	156.2	(25.6)	(16.4%)
UK Self-employment settlement(1)		3.3	(3.3)	
Provision for income taxes	130.6	159.5	(28.9)	(18.1%)
Net income	$ 204.7	$ 257.4	$ (52.7)	(20.5%)
Weighted average diluted shares outstanding	56.4	60.9	(4.5)	(7.4%)
Diluted EPS	$ 3.63	$ 4.23	$ (0.60)	(14.1%)

Note: Totals may not sum due to rounding

(1) As adjusted is a non-GAAP financial measure that adjusts the consolidated statements of income for fiscal 2012 to exclude the impact of a $14.5 million decrease to cost of revenues and $7.1 million increase to interest expense related to the settlement of the UK Self-employment matter. See Non-GAAP Financial Measures above for an explanation of our use of non-GAAP financial measures.

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The following table sets forth a reconciliation of certain selected financial data for fiscal 2013:

(in millions, except per share amounts)	Income Before Taxes	Provision for Income Taxes	Net Income	Diluted EPS
Fiscal 2013	$ 335.4	$ 130.6	$ 204.7	$ 3.63
Adjustments to Reported Amounts[1]				
Early extinguishment of debt charge[1]	21.7	8.4	13.3	0.24
Total Adjustments	21.7	8.4	13.3	0.24
Fiscal 2013, as adjusted[1]	$ 357.0	$ 139.0	$ 218.0	$ 3.87

Note: Totals may not sum due to rounding

(1) As adjusted is a non-GAAP financial measure that adjusts certain selected financial data for fiscal 2013.

See Non-GAAP Financial Measures above for an explanation of our use of non-GAAP financial measures.

The following table sets forth a reconciliation of certain selected financial data for fiscal 2012:

(in millions, except per share amounts)	Gross Profit	Gross Profit Margin	Operating Income	Operating Income Margin	Interest Expense	Net Income	Diluted EPS
Fiscal 2012	$ 1,093.8	*59.5%*	$ 510.8	*27.8%*	$ 90.5	$ 257.4	$ 4.23
Adjustments to Reported Amounts[1]							
UK self-employment accrual reversal[1]	(14.5)		(14.5)		(7.1)	(4.1)	(0.07)
Total Adjustments	(14.5)		(14.5)		(7.1)	(4.1)	(0.07)
Fiscal 2012, as adjusted[1]	$ 1,079.3	*58.7%*	$ 496.3	*27.0%*	$ 83.4	$ 253.3	$ 4.16

Note: Totals may not sum due to rounding

(1) As adjusted is a non-GAAP financial measure that adjusts the consolidated statements of net income for fiscal 2012 to exclude the impact of a $14.5 million decrease to cost of revenues and the $7.1 million increase to interest expense related to the settlement of the UK self-employment matter .

See Non-GAAP Financial Measures above for an explanation of our use of non-GAAP financial measures.

Consolidated Results

Revenues

Net revenues were $1,724.1 million in fiscal 2013, as compared to $1,839.4 million in fiscal 2012. Excluding the impact of foreign currency, which negatively impacted our revenues for fiscal 2013 by $1.0 million, net revenues in fiscal 2013 declined 6.2% versus the prior year. This revenue decline in fiscal 2013 was driven by revenue declines in the meetings business globally, most notably in the NACO and the UK meetings businesses. The revenue decline in the NACO and UK meetings businesses was driven in large part by a lower incoming active base at the start of fiscal 2013 as compared to the start of fiscal 2012, as well as enrollment declines in fiscal 2013 caused by an inability to attract new members into the brand and, in the case of the United Kingdom, competitive pressure from another meetings business. Our Continental European meetings business, which benefitted from a higher incoming active base at the start of fiscal 2013 as compared to the start of fiscal 2012, was also negatively impacted by lower enrollments as we cycled against a new program launch and new advertising campaigns in the prior year. As a result of these factors, meeting revenues declined modestly on a constant currency basis as compared to the prior year. The revenue decline in the meetings business was partially offset by revenue growth in WeightWatchers.com which benefited from a higher active Online subscriber base at the start of fiscal 2013 as compared to the start of fiscal 2012 that offset in part the impact of declining sign-ups particularly in the United States. However, WeightWatchers.com experienced decelerating revenue growth for fiscal 2013 and in the fourth quarter experienced a decline versus the prior year period. End of period active Online subscribers decreased by 6.7% to 1.7 million at the end of fiscal 2013 as compared to the end fiscal 2012 driven by sign-up weakness, particularly in the United States.

The combination of declining recruitments and the lower incoming active base at the start of fiscal 2013 in the meetings business led to a decline in global meeting paid weeks in fiscal 2013 versus the prior year. With the benefit of starting fiscal 2013 with a higher active Online subscriber base, WeightWatchers.com experienced growth of 1.7% in Online paid weeks versus the prior fiscal year. The increase in Online paid weeks did not fully offset the decline in meeting paid weeks, resulting in a 3.9% decrease in global paid weeks in fiscal 2013 versus the prior year. Global attendance in fiscal 2013 declined 15.5% in comparison to fiscal 2012.

Gross Profit and Operating Income

Gross profit for fiscal 2013 of $1,001.1 million decreased $92.7 million, or 8.5%, from $1,093.8 million in fiscal 2012. Excluding the impact of the settlement in fiscal 2012 of the UK self-employment matter noted in the above table, and of foreign currency which negatively impacted gross profit for fiscal 2013 by $0.3 million, gross profit in fiscal 2013 decreased by $77.9 million, or 7.2%, versus the prior year. Operating income for fiscal 2013 was $460.8 million, a decrease of $50.0 million, or 9.8%, from $510.8 million in fiscal 2012. Excluding the impact of the settlement in fiscal 2012 of the UK self-employment matter and of foreign currency which negatively impacted operating income for fiscal 2013 by $0.5 million, operating income in fiscal 2013 decreased by $35.0 million, or 7.0%, versus the prior year. This decrease in operating income was primarily the result of lower meeting revenues in fiscal 2013 versus the prior year that were partially offset by lower marketing expense, primarily from the elimination of inefficient digital advertising and the lack of a men s campaign in the United States, in fiscal 2013. As adjusted for the settlement in fiscal 2012, our gross margin in fiscal 2013 decreased to 58.1% from 58.7% in fiscal 2012, and operating income margin in fiscal 2013 decreased to 26.7% from 27.0% in fiscal 2012. See Components of Expenses and Margins for additional details.

Net Income and Earnings Per Share

Net income in fiscal 2013 declined 20.5% from $257.4 million in fiscal 2012 to $204.7 million. This decline in net income was driven by the decrease in operating income in fiscal 2013 versus the prior year as well as a charge of $21.7 million in early extinguishment of debt and higher interest expense resulting from our long-term debt refinancing in the second quarter of fiscal 2013. Excluding this early extinguishment of debt charge (after tax), net income would have been $218.0 million in fiscal 2013.

Earnings per fully diluted share in fiscal 2013 were $3.63, a decrease of $0.60 from $4.23 in fiscal 2012. Excluding the early extinguishment of debt charge, EPS would have been $3.87 in fiscal 2013. EPS in fiscal 2013 benefited from our repurchase of shares in the Tender Offer and the related share repurchase from Artal Holdings as the number of our weighted average diluted shares outstanding for fiscal 2013 decreased to 56.4 million from 60.9 million in the prior year. See Liquidity and Capital Resources Stock Transactions for a description of the Tender Offer and related share repurchase from Artal Holdings.

Components of Revenue and Volumes

We derive our revenues principally from meeting fees, Internet revenues, products sold in meetings, and licensed products sold in retail channels. In addition, we generate other revenue from royalties paid to us by our franchisees, subscriptions to our branded magazines, and advertising in our publications.

Meeting Fees

Global meeting fees for fiscal 2013 were $851.6 million, a decrease of $83.3 million, or 8.9%, from $934.9 million in the prior year. Excluding the impact of foreign currency, which decreased our global meeting fees for fiscal 2013 by $0.7 million, global meeting fees in fiscal 2013 decreased by 8.8% versus the prior year. The decline in meeting fees was driven by a 10.1% decline in global meeting paid weeks in fiscal 2013 to 89.1 million from 99.2 million in the prior year. The decline in meeting paid weeks was driven by a lower meetings active base at the beginning of fiscal 2013 versus the beginning of fiscal 2012 as well as by the lower

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enrollments in fiscal 2013 as compared to the prior year. The meetings active base is primarily comprised of Monthly Pass active subscribers which declined 10.8% to 1.2 million at the end of fiscal 2013 from 1.4 million at the end of fiscal 2012. Global attendance decreased 15.5% to 42.9 million in fiscal 2013 from 50.7 million in fiscal 2012.

In NACO, meeting fees in fiscal 2013 were $595.1 million, a decrease of $58.3 million, or 8.9%, from $653.4 million in fiscal 2012. The decline in meeting fees was driven primarily by a 9.4% decline in NACO meeting paid weeks from 66.0 million in fiscal 2012 to 59.7 million in fiscal 2013. The decline in meeting paid weeks primarily resulted from the lower meetings active base at the beginning of fiscal 2013 versus the beginning of fiscal 2012 as well as by lower enrollments in fiscal 2013 versus the prior year. Lower enrollments in the United States in fiscal 2013 were driven by difficulty in attracting members into our brand. Although we introduced our new Weight Watchers 360° plan in December 2012, this new program was not as effective in driving consumer trial as our ***PointsPlus*** innovation. Partially offsetting the decline in NACO meeting fees was a 0.6% increase in meeting fees per paid week in fiscal 2013 as compared to the prior year. This increase in meeting fees per paid week was driven in part by a 2011 US price increase for new members, the impact of which was more significant in fiscal 2013 due to the cycling of new members paying this higher price throughout 2012. In addition, this increase in meeting fees per paid week was driven by a discounted offer in the United States in the Spring of fiscal 2012 that was not repeated until the Fall of fiscal 2013, and was less impactful in fiscal 2013. In fiscal 2013, NACO attendance decreased 14.7% to 27.2 million from 31.9 million in fiscal 2012. The Company completed seven franchise acquisitions in NACO in fiscal 2013 as compared to three franchise acquisitions in the second half of fiscal 2012. Franchise acquisitions benefited NACO meeting fees by 2.2% and NACO meeting paid weeks by 1.7% in fiscal 2013, but had a de minimis impact on NACO meeting fees and volumes in fiscal 2012.

International meeting fees in fiscal 2013 were $256.5 million, a decrease of $25.0 million, or 8.9%, from $281.5 million in the prior year. Excluding the impact of foreign currency, which increased international meeting fees for fiscal 2013 by $0.8 million, international meeting fees declined by 9.2% in fiscal 2013 versus the prior year. In fiscal 2013, the decline in meeting fees was driven by an 11.5% decline in international meeting paid weeks in the year versus the prior year. Meeting paid weeks performance in fiscal 2013 was driven by declines in enrollments in most of our international markets in the year versus the prior year. Partially offsetting the decline in international meeting fees was a 2.9% increase in meeting fees per paid week. This increase in meeting fees per paid week was primarily driven by the shift of volumes from the UK meetings business toward the Continental Europe meetings business where a meeting fee per paid week is priced higher. In addition, a UK price increase in the third quarter of fiscal 2012 for all members also contributed to the increase in meeting fees per paid week in fiscal 2013. International attendance decreased by 16.8% in fiscal 2013 versus the prior year.

In fiscal 2013, UK meeting fees decreased by 18.4% to $85.2 million from $104.4 million in fiscal 2012. Excluding the impact of foreign currency, which decreased UK meeting fees for fiscal 2013 by $1.3 million, UK meeting fees declined by 17.1% in fiscal 2013 versus the prior year. Fiscal 2013 meeting fees were driven lower primarily by a decline of 19.2% in UK meeting paid weeks versus the prior year. Meeting paid weeks performance in fiscal 2013 was driven by the lower meetings active base at the beginning of fiscal 2013 versus the beginning of fiscal 2012 coupled with lower enrollments as compared to enrollment levels in the prior year. In fiscal 2013, local competition in the United Kingdom primarily drove the decline in enrollments. Partially offsetting the decline in UK meeting fees was an increase in meeting fees per paid week of 1.0%, or 2.6% on a constant currency basis, versus the prior year. This increase in meeting fees per paid week was driven primarily by a UK price increase in the third quarter of fiscal 2012 for all members. UK attendance decreased by 22.7% in fiscal 2013 versus the prior year.

Meeting fees in Continental Europe in fiscal 2013 were $137.3 million, an increase of $1.3 million, or 1.0%, from $136.0 million in the prior year. Excluding the impact of foreign currency, which increased Continental

European meeting fees in fiscal 2013 by $3.9 million, Continental European meeting fees decreased by 1.8% in fiscal 2013 as compared to the prior year. The decrease in meeting fees on a constant currency basis was driven by a decrease of 1.5% in Continental European meeting paid weeks in fiscal 2013 versus the prior year. The decrease in meeting paid weeks was driven by lower enrollments in fiscal 2013 as compared to the prior year. These lower enrollments were the result of cycling against the successful launch of the new program and the new advertising campaigns in the prior year. However, the impact of enrollments on meeting paid weeks was minimized by the higher meetings active base at the beginning of fiscal 2013 versus the beginning of fiscal 2012. In Continental Europe, attendance decreased by 8.1% in fiscal 2013 versus the prior year.

In-Meeting Product Sales

Global in-meeting product sales for fiscal 2013 were $212.0 million, a decrease of $41.3 million, or 16.3%, from $253.2 million in fiscal 2012. This decrease resulted primarily from a 15.5% decline in global meeting attendance in fiscal 2013 versus the prior year. Additionally, product sales per attendee decreased 1.0% in fiscal 2013 versus the prior year. This decrease in global in-meeting product sales per attendee in fiscal 2013 was driven by declines in NACO, which were only partially offset by strong per attendee sales of consumables across Continental Europe.

In NACO, fiscal 2013 in-meeting product sales of $119.1 million decreased by $26.8 million, or 18.4%, versus the prior year. This decrease resulted primarily from a 14.7% attendance decline in fiscal 2013 as compared to the prior year. In-meeting product sales per attendee decreased by 4.3% in fiscal 2013 versus the prior year as sales declines in consumables, enrollment products and electronics more than offset strong sales of the new ActiveLink product, which was first introduced in the third quarter of fiscal 2012. Enrollment weakness in NACO in fiscal 2013 contributed to these sales declines.

International in-meeting product sales were $92.9 million in fiscal 2013, a decrease of 13.5%, or 13.7% on a constant currency basis, versus the prior year. This decrease was driven primarily by an attendance decline of 16.8% in fiscal 2013 as compared to fiscal 2012, which was largely driven by the United Kingdom. In-meeting product sales per attendee in fiscal 2013 increased by 4.0%, or 3.7% on a constant currency basis, as compared to the prior year. This increase was the result of strong sales of consumables in Continental Europe driven in part by new product introductions and successful promotions.

Internet Revenues

Internet revenues, which include subscription revenues from sales of our Weight Watchers Online and Weight Watchers eTools products as well as Internet advertising revenues, increased $17.9 million, or 3.5%, to $522.2 million in fiscal 2013 from $504.3 million in fiscal 2012. Excluding the impact of foreign currency, which increased Internet revenues for fiscal 2013 by $0.3 million, Internet revenues grew by 3.5% in fiscal 2013 versus the prior year. This increase was driven primarily by the benefit of an increase in pricing for Online in many of our markets and, to a lesser extent, the higher active Online subscriber base at the beginning of fiscal 2013, up 18.0%, versus the beginning of fiscal 2012, and Online paid weeks growth of 1.7% in fiscal 2013 versus the prior year. This growth in Online paid weeks was driven by effective marketing campaigns in Continental Europe in fiscal 2013. However, the trend of Online paid weeks growth slowed in fiscal 2013. This deceleration was driven largely by declining sign-ups, particularly in the United States, as the commercial weight loss category continued to be impacted by increasing consumer trial of activity monitors and free apps. End of period active Online subscribers decreased by 6.7% to 1.7 million at the end of fiscal 2013 as compared to the end of fiscal 2012.

Other Revenues

Other revenues, comprised primarily of licensing revenues, franchise royalties, revenues from the sale of products by mail and to our franchisees, and revenues from our publications, were $138.3 million for fiscal 2013, a decrease of $8.6 million, or 5.9%, from $146.9 million for fiscal 2012. Excluding the impact of foreign currency, which decreased other revenues for fiscal 2013 by $0.5 million, other revenues were 5.5% lower in fiscal 2013 compared to the prior year. Franchise commissions and sales of products to our franchisees declined in the aggregate by 35.1%, or 34.8% on a constant currency basis, in fiscal 2013 versus the prior year. This decline in franchise commissions and sales of products to our franchisees was driven in part by our recent franchise acquisitions. Our by mail product sales and revenues from our publications also declined in the aggregate by 3.2%, or 2.6% on a constant currency basis, in fiscal 2013 versus the prior year. Global licensing revenues increased by 2.1%, or 2.4% on a constant currency basis, in fiscal 2013 versus the prior year. Included in global licensing revenues in fiscal 2012 was a $2.0 million one-time termination fee which benefited that period. Excluding this one-time termination fee, global licensing revenues in fiscal 2013 increased 4.9%, or 5.2% on a constant currency basis versus the prior year.

Components of Expenses and Margins

Cost of Revenues and Gross Margin

Total cost of revenues in fiscal 2013 was $723.0 million, a decline of $22.6 million from $745.6 million in the prior year. Excluding the impact of the settlement of the UK self-employment matter, total cost of revenues in fiscal 2013 would have declined $37.1 million, or 4.9%, from $760.2 million in the prior year. As adjusted for this 2012 settlement, gross profit in fiscal 2013 of $1,001.1 million decreased $78.2 million, or 7.2%, from $1,079.3 million in 2012. Gross margin in fiscal 2013 was 58.1%, as compared to adjusted gross margin of 58.7% in fiscal 2012. Gross margin compression was driven by operating cost deleverage in both the meetings and Weight Watchers.com businesses. This margin compression was partially offset by the shift of revenue towards the higher margin WeightWatchers.com business. The decline in the meetings business gross margin was driven by the lower average number of members per meeting, the impact of the US service provider compensation changes, an increase in product discounting globally as well as higher product and freight costs in NACO. Price increases taken in some of our markets and reduced cost of meeting materials in NACO were partially offsetting. The WeightWatchers.com business gross margin also declined in fiscal 2013 driven partially by the change in cost allocations for call center and technology expenses as well as operating cost deleverage.

Marketing

Marketing expenses for fiscal 2013 were $295.6 million, a decrease of $58.0 million, or 16.4%, versus fiscal 2012. Excluding the impact of foreign currency, which increased marketing expenses for fiscal 2013 by $0.5 million, marketing expenses were 16.5% lower in fiscal 2013 compared to the prior year. The decline was primarily driven by the absence of a Weight Watchers Online US men s specific marketing campaign, achieving lower and more efficient digital marketing spend in the United States in fiscal 2013 and lower TV advertising and production costs globally. Marketing expenses as a percentage of revenue were 17.1% in fiscal 2013 as compared to 19.2% in the prior year.

Selling, General and Administrative

Selling, general and administrative expenses were $244.7 million for fiscal 2013 versus $229.3 million for fiscal 2012, an increase of $15.4 million, or 6.7%. Excluding the impact of foreign currency, which decreased selling, general and administrative expenses for fiscal 2013 by $0.2 million, fiscal 2013 selling, general and administrative expenses increased by 6.8% versus fiscal 2012. The increase in expenses was primarily related to higher bonus expenses, investments in technology for the development of our mobile, field systems and customer relationship management platforms in support of our healthcare initiatives, one-time costs associated with the impairment of intangible and long-lived assets, severance, China shutdown costs and costs related to our acquisitions partially offset by lower stock compensation expense in fiscal 2013. Selling, general and administrative expenses as a percentage of revenue for fiscal 2013 increased to 14.2% from 12.5% for fiscal 2012.

Operating Income Margin

Excluding the impact of the settlement of the UK self-employment matter, our operating income margin in fiscal 2013 decreased to 26.7% from 27.0% in fiscal 2012. This decline in operating income margin was primarily driven by the decline in gross margin and higher selling, general and administrative expenses, which were partially offset by the absence of a Weight Watchers Online US men s specific marketing campaign, achieving lower and more efficient digital marketing spend in the United States in fiscal 2013 and lower TV advertising and production costs globally versus fiscal 2012. In fiscal 2013, marketing expenses decreased as a percentage of revenue, but this decrease was slightly offset by the increase in selling, general and administrative expenses as a percentage of revenue, as compared to the prior year.

Interest Expense

Interest expense was $103.1 million for fiscal 2013, an increase of $12.6 million, or 13.9%, from $90.5 million in fiscal 2012. Excluding the impact of the 2012 settlement of the UK self-employment matter, interest expense increased $19.7 million or 23.6% versus the prior year. The increase was primarily driven by an increase in our average debt outstanding and higher interest rates on our debt. Our average debt outstanding increased by $294.4 million to $2,397.3 million in fiscal 2013 from $2,102.9 million in fiscal 2012. The increase in average debt outstanding was driven by the additional borrowings under our then existing credit facilities in March and April 2012 in connection with our repurchase of shares in the Tender Offer and the related share repurchase from Artal Holdings (see Liquidity and Capital Resources Stock Transactions). The effective interest rate on our debt increased by 0.58% to 3.49% in fiscal 2013 from 2.91% in fiscal 2012 as a result of our April 2, 2013 debt refinancing. Interest expense was partially offset by a decrease in the notional value of our interest rate swap, which resulted in a higher effective interest rate of 3.92% in fiscal 2013, as compared to 3.60% in fiscal 2012.

Other Expense

The Company incurred $0.6 million of other expense in fiscal 2013 as compared to $2.0 million of other expense in the prior year. While both years include the impact of foreign currency on intercompany transactions, the prior year also includes $2.4 million of expense resulting from a write-off associated with an investment.

Early Extinguishment of Debt

In the second quarter of fiscal 2013, we wrote-off $21.7 million of fees in connection with the April 2013 refinancing of our debt that we recorded as an early extinguishment of debt charge. In the first quarter of fiscal 2012, we wrote-off $1.3 million of fees in connection with the March 2012 refinancing of our debt that we recorded as an early extinguishment of debt charge.

Tax

Our effective tax rate was 39.0% for fiscal 2013 as compared to 38.3% for fiscal 2012. For fiscal 2012, the UK self-employment matter impacted our effective tax rate. Excluding the impact of the settlement of the UK self-employment matter, our effective tax rate for fiscal 2012 would have been 38.1%. The difference in period-over-period effective tax rates is primarily the result of the lack of a tax benefit recorded for certain non-deductible impairments charges recorded in fiscal 2013 as well as the impact of a non-recurring tax benefit recorded in fiscal 2012 associated with a reduction in certain international tax rates.

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RESULTS OF OPERATIONS FOR FISCAL 2012 (52 weeks) COMPARED TO FISCAL 2011 (52 weeks)

OVERVIEW

Fiscal 2011 was a year of revenue and volume growth in all fiscal quarters as compared to the prior year periods. We experienced accelerated period-over-period volume growth in our North American and UK meetings and Weight Watchers.com businesses throughout the year. The momentum of our new program launches, ***PointsPlus*** in North America and ***ProPoints*** in our other English-speaking markets, and strong marketing and public relations efforts drove this accelerated growth and historically high volumes in fiscal 2011.

Fiscal 2012 had the challenge of being compared against the high levels of recruitment growth and related results of fiscal 2011. Fiscal 2012 versus the prior year had similar performance trends as each of the individual fiscal 2012 quarters. Net revenues were $1,839.4 million in fiscal 2012, as compared to $1,832.5 million in fiscal 2011. Growth in Internet revenues in fiscal 2012 versus the prior year was almost fully offset by revenue declines in the meetings business. Gross margin for fiscal 2012 grew to 59.5%, including an 80 basis point benefit from the accrual reversal associated with the settlement of the UK self-employment matter, from 57.8% in fiscal 2011. Both marketing expenses and selling, general and administrative expenses increased as a percentage of revenue in fiscal 2012 versus the prior year due to our investments in growth initiatives. As a result, operating income margin for fiscal 2012, which, like gross margin, also benefited by 80 basis points related to the accrual reversal associated with the settlement of the UK self-employment matter, declined 2.0% to 27.8% from 29.8% in fiscal 2011. Consequently, and as a result of higher interest expense and a higher tax rate, net income attributable to the Company in fiscal 2012 declined 15.6% versus the prior year to $257.4 million.

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The table below sets forth selected financial information for fiscal 2012 from our consolidated statements of income for fiscal 2012 versus selected financial information for fiscal 2011 from our consolidated statements of income for fiscal 2011, on both a reported basis and an adjusted basis. Results for fiscal 2012 are adjusted to exclude the $4.1 million (after-tax) benefit related to the settlement of the previously disclosed UK self-employment matter. See Non-GAAP Financial Measures above.

Summary of Selected Financial Data as Reported and Adjusted

	(In millions, except per share amounts)			
	Fiscal 2012	**Fiscal 2011**	**Increase/ (Decrease)**	**% Change**
Revenues	$ 1,839.4	$ 1,832.5	$ 6.9	0.4%
Cost of revenues (as adjusted)(1)	760.2	774.0	(13.8)	(1.8%)
UK Self-employment settlement(1)	(14.5)		(14.5)	
Cost of revenues	745.6	774.0	(28.4)	(3.7%)
Gross Profit	1,093.8	1,058.5	35.3	3.3%
Gross Margin %	*59.5%*	*57.8%*		
Marketing expenses	353.7	302.9	50.8	16.8%
Selling, general & administrative expenses	229.3	209.3	20.1	9.6%
Operating income	510.8	546.3	(35.5)	(6.5%)
Operating Income Margin %	*27.8%*	*29.8%*		
Interest expense (as adjusted)(1)	83.4	59.9	23.6	39.4%
UK Self-employment settlement(1)	7.1		7.1	
Interest expense	90.5	59.9	30.7	51.3%
Other expense, net	2.0	3.4	(1.4)	(41.6%)
Early extinguishment of debt	1.3		1.3	
Income before income taxes	417.0	483.1	(66.1)	(13.7%)
Provision for income taxes (as adjusted)(1)	156.2	178.7	(22.5)	(12.6%)
UK Self-employment settlement(1)	3.3		3.3	
Provision for income taxes	159.5	178.7	(19.2)	(10.7%)
Net income	257.4	304.3	(46.9)	(15.4%)
Net loss attributable to the noncontrolling interest		0.5	(0.5)	
Net income attributable to the Company	$ 257.4	$ 304.9	$ (47.4)	(15.6%)
Weighted average diluted shares outstanding	60.9	74.1	(13.2)	(17.8%)
Diluted EPS	$ 4.23	$ 4.11	$ 0.11	2.7%

Note: Totals may not sum due to rounding

(1) As adjusted is a non-GAAP financial measure that adjusts the consolidated statements of income for fiscal 2012 to exclude the impact of a $14.5 million decrease to cost of revenues and $7.1 million increase to interest expense related to the settlement of the UK Self-employment matter. See Non-GAAP Financial Measures above for an explanation of our use of non-GAAP financial measures.

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The following table sets forth a reconciliation for fiscal 2012 of certain selected financial data:

(in millions, except per share amounts)	Gross Profit	Gross Profit Margin	Operating Income	Operating Income Margin	Interest Expense	Net Income	Diluted EPS
Fiscal 2012	$ 1,093.8	*59.5%*	$ 510.8	*27.8%*	$ 90.5	$ 257.4	$ 4.23
Adjustments to Reported Amounts[1]							
UK self-employment accrual reversal[1]	(14.5)		(14.5)		(7.1)	(4.1)	(0.07)
Total Adjustments	(14.5)		(14.5)		(7.1)	(4.1)	(0.07)
Fiscal 2012, as adjusted[1]	$ 1,079.3	*58.7%*	$ 496.3	*27.0%*	$ 83.4	$ 253.3	$ 4.16

Note: Totals may not sum due to rounding

(1) As adjusted is a non-GAAP financial measure that adjusts the consolidated statements of net income for fiscal 2012 to exclude the impact of a $14.5 million decrease to cost of revenues and the $7.1 million increase to interest expense related to the settlement of the UK self-employment matter .

See Non-GAAP Financial Measures above for an explanation of our use of non-GAAP financial measures.

Consolidated Results

Revenues

Net revenues were $1,839.4 million in fiscal 2012, as compared to $1,832.5 million in fiscal 2011. Excluding the impact of foreign currency, which negatively impacted our revenues for fiscal 2012 by $24.1 million, net revenues in fiscal 2012 grew 1.7% versus the prior year. Revenue growth in fiscal 2012 was driven primarily by WeightWatchers.com which benefited from a higher active Online subscriber base at the start of fiscal 2012 as compared to fiscal 2011 and effective marketing in fiscal 2012. Our Continental European meetings business, which benefited from new marketing strategies, also contributed to revenue growth on a constant currency basis. This revenue growth in our Continental European meetings business was more than offset by revenue declines in the NACO and UK meetings businesses as they cycled against the momentum of their new program innovations and stronger and more effective marketing and public relations efforts in fiscal 2011. In addition, in fiscal 2012, meeting revenues were negatively impacted by the execution challenges associated with introducing the Monthly Pass commitment plan to NACO s small accounts portion of its corporate business in the first half of fiscal 2012, as well as by macro-economic factors, particularly consumer confidence, in NACO and the United Kingdom.

The combination of the above factors also led to a 5.4% decline in global meeting paid weeks in fiscal 2012 versus the prior year. However, with the benefits of starting the fiscal year with a higher active Online subscriber base and effective marketing, WeightWatchers.com experienced growth of 26.7% in Online paid weeks, as well as an 18.0% increase in end of period active Online subscribers, in fiscal 2012 versus the prior year. The increase in Online paid weeks more than offset the decline in meeting paid weeks, which resulted in a 9.3% increase in global paid weeks in fiscal 2012 versus the prior year. Global attendance in fiscal 2012 declined 11.0% in comparison to fiscal 2011.

Gross Profit and Operating Income

Gross profit for fiscal 2012 of $1,093.8 million increased $35.3 million, or 3.3%, from $1,058.5 million in fiscal 2011. Excluding the impact of the settlement of the UK self-employment matter noted in the above table, and of foreign currency which negatively impacted gross profit for fiscal 2012 by $13.8 million, gross profit in fiscal 2012 increased by $34.6 million, or 3.3%, versus the prior year. Operating income for fiscal 2012 was $510.8 million, a decrease of $35.5 million, or 6.5%, from $546.3 million in fiscal 2011. Excluding the impact of the settlement of the UK self-employment matter, and of foreign currency which negatively impacted operating income for fiscal 2012 by $7.2 million, operating income in fiscal 2012 decreased by $42.9 million, or 7.9%,

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versus the prior year. This decline was primarily the result of an increase in marketing investments and selling, general and administrative expenses in fiscal 2012 versus the prior year. As adjusted for the settlement, our gross margin in fiscal 2012 increased to 58.7% from 57.8% in fiscal 2011, but operating income margin in fiscal 2012 declined to 27.0% from 29.8% in fiscal 2011. See Components of Expenses and Margins for additional details.

Net Income and Earnings Per Share

Net income attributable to the Company in fiscal 2012 declined 15.6% from $304.9 million in fiscal 2011 to $257.4 million. Excluding the impact of the settlement of the UK self-employment matter noted in the table above, net income attributable to the Company would have been $253.3 million in fiscal 2012, a decline of 16.9%. In addition to the decline in operating income, higher interest expense resulting from our financing of our repurchase of shares in the Tender Offer and related share repurchase from Artal Holdings and a higher tax rate further reduced net income in fiscal 2012. See Components of Expenses and Margins Tax for additional details on our higher tax rate in fiscal 2012.

Earnings per fully diluted share in fiscal 2012 were $4.23, an increase of $0.11 from $4.11 in fiscal 2011. Excluding the impact of the UK self-employment matter noted in the table above, earnings per fully diluted share would have been $4.16, an increase of $0.05 or 1.1%. Earnings per fully diluted share in fiscal 2012, except for the first quarter of fiscal 2012, benefited from our repurchase of shares in the Tender Offer and the related share repurchase from Artal Holdings as our weighted average diluted shares outstanding for fiscal 2012 decreased to 60.9 million from 74.1 million in the prior year. See Liquidity and Capital Resources Stock Transactions for a description of the Tender Offer and related share repurchase from Artal Holdings.

Components of Revenue and Volumes

We derive our revenues principally from meeting fees, Internet revenues, products sold in meetings, and licensed products sold in retail channels. In addition, we generate other revenue from royalties paid to us by our franchisees, subscriptions to our branded magazines, and advertising in our publications.

Meeting Fees

Global meeting fees for fiscal 2012 were $934.9 million, a decrease of $55.4 million, or 5.6%, from $990.3 million in the prior year. Excluding the impact of foreign currency, which decreased our global meeting fees for fiscal 2012 by $12.2 million, global meeting fees in fiscal 2012 decreased by 4.4% versus the prior year. The decline in meeting fees was driven by a 5.4% decline in global meeting paid weeks in fiscal 2012 to 99.2 million from 104.8 million in the prior year. The decline in meeting paid weeks was driven by lower enrollments in fiscal 2012 as compared to the high enrollment levels in the prior year. However, the impact of enrollments on meeting paid weeks was minimized by the higher meeting membership base at the beginning of fiscal 2012 versus the beginning of fiscal 2011. Global attendance decreased 11.0% to 50.7 million in fiscal 2012 from 57.0 million in fiscal 2011.

In NACO, meeting fees in fiscal 2012 were $653.4 million, a decrease of $33.4 million, or 4.9%, from $686.8 million in fiscal 2011. The decline in meeting fees was driven primarily by a 5.6% decline in NACO meeting paid weeks from 69.9 million in fiscal 2011 to 66.0 million in fiscal 2012. The decline in meeting paid weeks primarily resulted from lower enrollments in fiscal 2012 as compared to the high enrollment levels in the prior year. Lower enrollments in fiscal 2012 were driven in part by the execution challenges associated with introducing Monthly Pass to the small accounts portion of NACO s corporate business. However, the impact of enrollments on meeting paid weeks was minimized by the higher meeting membership base at the beginning of fiscal 2012 versus the beginning of fiscal 2011. In fiscal 2012, NACO attendance decreased 11.4% to 31.9 million from 36.0 million in fiscal 2011. Franchise acquisitions had a de minimis impact on NACO meeting fees and metrics in fiscal 2012.

International meeting fees in fiscal 2012 were $281.5 million, a decrease of $22.0 million, or 7.2%, from $303.5 million in the prior year. Excluding the impact of foreign currency, which decreased international meeting fees for fiscal 2012 by $11.6 million, international meeting fees declined by 3.4% in fiscal 2012 versus the prior year. In fiscal 2012, the decline in meeting fees was driven by a 4.9% decline in international meeting paid weeks in the year versus the prior year. Meeting paid weeks performance in fiscal 2012 was driven by declines in enrollments in our international English-speaking markets in the year versus the prior year, which were partially offset by enrollment growth in Continental Europe. International attendance decreased by 10.5% in fiscal 2012 versus the prior year.

In fiscal 2012, UK meeting fees decreased by 11.7% to $104.4 million from $118.3 million in fiscal 2011. Excluding the impact of foreign currency, which decreased UK meeting fees for fiscal 2012 by $1.5 million, UK meeting fees declined by 10.5% in fiscal 2012 versus the prior year. Fiscal 2012 meeting fees were driven lower primarily by a decline of 11.3% in UK meeting paid weeks versus the prior year. Meeting paid weeks performance in fiscal 2012 was driven by lower enrollments in the period as compared to the high enrollment levels in the prior year. In addition, in fiscal 2012, the United Kingdom introduced an advertising campaign that was ineffective in driving enrollment growth. Weak macro-economic trends in the United Kingdom also contributed to the decline in enrollments. However, the impact of enrollments on meeting paid weeks was minimized by the higher meeting membership base at the beginning of fiscal 2012 versus the beginning of fiscal 2011. UK attendance decreased by 16.5% in fiscal 2012 versus the prior year.

Meeting fees in Continental Europe were $136.0 million in both fiscal 2012 and fiscal 2011. Excluding the impact of foreign currency, which decreased Continental European meeting fees in fiscal 2012 by $10.4 million, Continental European meeting fees increased by 7.6% in fiscal 2012 as compared to the prior year. The increase in meeting fees on a constant currency basis was driven by an increase of 9.2% in Continental European meeting paid weeks in fiscal 2012 versus the prior year. The increase in meeting paid weeks was driven by higher enrollments in fiscal 2012 as compared to the prior year. These higher enrollments were the result of effective new marketing strategies in this region. In Continental Europe, attendance increased by 3.3% in fiscal 2012 versus the prior year.

In-Meeting Product Sales

Global in-meeting product sales for fiscal 2012 were $253.2 million, a decrease of $28.6 million, or 10.1%, from $281.8 million in fiscal 2011. Excluding the impact of foreign currency, which decreased in-meeting product sales for fiscal 2012 by $4.4 million, global in-meeting product sales in fiscal 2012 declined 8.6% versus the prior year. This decrease resulted primarily from an 11.0% decline in global meeting attendance in fiscal 2012 versus the prior year. Slightly offsetting this decline was an increase in product sales per attendee in fiscal 2012 versus the prior year. On a per attendee basis, in fiscal 2012 global in-meeting product sales increased 1.0%, or 2.8% on a constant currency basis, versus the prior year. This increase in in-meeting product sales per attendee in fiscal 2012 was driven by very strong per attendee sales of consumables and new products, including ActiveLink, in NACO and consumables in the United Kingdom in the fourth quarter of fiscal 2012, which more than offset a weak 2012 first nine months. This weakness was primarily the result of cycling against abnormally strong first quarter fiscal 2011 sales of enrollment products in connection with the launch of the new programs in our English-speaking markets in late fiscal 2010.

In NACO, fiscal 2012 in-meeting product sales of $145.9 million decreased by $12.0 million, or 7.6%, versus the prior year. This decrease resulted primarily from an 11.4% attendance decline in fiscal 2012 as compared to the prior year. In-meeting product sales per attendee increased by 4.2% in fiscal 2012 versus the prior year as strong fourth quarter fiscal 2012 sales of consumables and new products, including ActiveLink, offset the decline in sales of enrollment products earlier in the year.

International in-meeting product sales were $107.3 million in fiscal 2012, a decrease of 13.4%, or 9.9% on a constant currency basis, versus the prior year. This decrease was driven primarily by an attendance decline of 10.5% in fiscal 2012 as compared to fiscal 2011, which was largely driven by the United Kingdom. In-meeting product sales per attendee in fiscal 2012 declined by 3.2%, but increased by 0.6% on a constant currency basis, as compared to the prior year.

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Internet Revenues

Internet revenues, which include subscription revenues from sales of our Weight Watchers Online and Weight Watchers eTools products as well as Internet advertising revenues, increased $104.8 million, or 26.2%, to $504.3 million in fiscal 2012 from $399.5 million in fiscal 2011. Excluding the impact of foreign currency, which decreased Internet revenues for fiscal 2012 by $5.9 million, Internet revenues grew by 27.7% in fiscal 2012 versus the prior year. The combination of a higher active Online subscriber base at the start of fiscal 2012, up 50.5%, versus the beginning of fiscal 2011, and effective marketing campaigns in North America and Continental Europe contributed to Online paid weeks growth of 26.7% in fiscal 2012 versus the prior year. Additionally, end of period active Online subscribers increased by 18.0% to 1.9 million at the end of fiscal 2012 as compared to 1.6 million at the end of fiscal 2011.

Other Revenues

Other revenues, comprised primarily of licensing revenues, franchise royalties, revenues from the sale of products by mail and to our franchisees, and revenues from our publications, were $146.9 million for fiscal 2012, a decrease of $14.0 million, or 8.7%, from $160.9 million for fiscal 2011. Excluding the impact of foreign currency, which decreased other revenues for fiscal 2012 by $1.5 million, other revenues were 7.7% lower in fiscal 2012 compared to the prior year. Franchise commissions and sales of products to our franchisees declined in the aggregate by 22.4%, or 21.9% on a constant currency basis, in fiscal 2012 versus the prior year. Our by mail product sales and revenues from our publications also declined in the aggregate by 14.3%, or 12.9% on a constant currency basis, in fiscal 2012 versus the prior year. These declines were primarily the result of comparing against the prior year which had the benefit of the new program launches in our English-speaking markets in late fiscal 2010. Global licensing revenues increased by 1.5%, or 2.2% on a constant currency basis, in fiscal 2012 versus the prior year. A one-time termination fee in the second quarter of fiscal 2012 which was included in licensing revenues primarily accounted for the increase. Excluding this one-time termination fee of $2.0 million from licensing revenues, global licensing revenues in fiscal 2012 decreased 0.5% on a constant currency basis versus the prior year.

Components of Expenses and Margins

Cost of Revenues and Gross Margin

Excluding the impact of the settlement of the UK self-employment matter, cost of revenues in fiscal 2012 would have been $760.2 million, a decline of $13.8 million, or 1.8%, from $774.0 million in the prior year. Cost of revenues declined due to the shift of revenue towards the higher margin WeightWatchers.com business. As adjusted for the settlement, gross profit in fiscal 2012 of $1,079.3 million increased $20.8 million, or 2.0%, from $1,058.5 million in fiscal 2011. Adjusted gross margin in fiscal 2012 was 58.7%, as compared to 57.8% in fiscal 2011. Gross margin expansion was primarily the result of the shift of revenue towards the higher margin WeightWatchers.com business. This margin expansion was partially offset by a decline in the meetings business gross margin. This decline in the meetings business gross margin was primarily driven by the impact of higher costs associated with our future growth initiatives and lower average number of members per meeting.

Marketing

Marketing expenses for fiscal 2012 were $353.7 million, an increase of $50.8 million, or 16.8%, versus fiscal 2011. Excluding the impact of foreign currency, which decreased marketing expenses for fiscal 2012 by $4.2 million, marketing expenses were 18.1% higher in fiscal 2012 compared to the prior year. Included in our fiscal 2012 marketing expenses were investments in two initiatives: first time Online TV marketing campaigns in several of our international markets and marketing the Weight Watchers Online product to men in the United States. In addition, we invested in TV advertising for Continental Europe s meetings business, which also contributed to the increase in marketing expenses in fiscal 2012. The increase in marketing expenses also reflected the impact of higher volumes on online advertising costs. Marketing expenses as a percentage of revenue were 19.2% in fiscal 2012 as compared to 16.5% in the prior year.

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Selling, General and Administrative

Selling, general and administrative expenses were $229.3 million for fiscal 2012 versus $209.3 million for fiscal 2011, an increase of $20.1 million, or 9.6%. Excluding the impact of foreign currency, which decreased selling, general and administrative expenses for fiscal 2012 by $2.5 million, fiscal 2012 selling, general and administrative expenses increased by 10.8% versus fiscal 2011. The increase in expenses was primarily related to investments in growth initiatives, including NACO s corporate business, technology for the development of our mobile and customer relationship management platforms and additions to staff in support of these initiatives. Lower bonus expense globally related to business performance partially offset this increase. Selling, general and administrative expenses as a percentage of revenue for fiscal 2012 increased to 12.5% from 11.4% for fiscal 2011.

Operating Income Margin

Excluding the impact of the settlement of the UK self-employment matter, our operating income margin in fiscal 2012 decreased to 27.0% from 29.8% in fiscal 2011. This decline in operating income margin was primarily driven by costs related to first time Online TV marketing campaigns in several of our international markets and our significant investment in marketing the Weight Watchers Online product to men in the United States. Both marketing expenses and selling, general and administrative expenses increased as a percentage of revenue in fiscal 2012 as compared to the prior year.

Interest Expense and Other

Interest expense was $90.5 million for fiscal 2012, an increase of $30.7 million, or 51.3%, from $59.9 million in fiscal 2011. Excluding the impact of the settlement of the UK self-employment matter noted in the table above, interest expense was $83.4 million, an increase of $23.6 million or 39.4% versus the prior year. The increase was primarily driven by an increase in our average debt outstanding and higher interest rates on our debt. The effective interest rate on our debt increased by 0.76% to 2.91% in fiscal 2012 from 2.15% in fiscal 2011. Our average debt outstanding increased by $920.0 million to $2,102.9 million in fiscal 2012 from $1,182.9 million in fiscal 2011. The increase in average debt outstanding was driven by the additional borrowings under the WWI Credit Facility (defined below) in connection with our repurchase of shares in the Tender Offer and the related share repurchase from Artal Holdings (see Liquidity and Capital Resources Stock Transactions). Interest expense was partially offset by a decrease in the notional value and interest rates of our interest rate swaps, which resulted in a lower effective interest rate of 3.60% in fiscal 2012, as compared to 4.62% in fiscal 2011. In the first quarter of fiscal 2012, we wrote-off $1.3 million of fees in connection with the refinancing of our debt, which we recorded as an early extinguishment of debt charge.

The Company incurred $2.0 million of other expense in fiscal 2012 as compared to $3.4 million of other expense in the prior year, both years include the write-off associated with an investment and the impact of foreign currency on intercompany transactions.

Tax

Our effective tax rate was 38.3% for fiscal 2012 as compared to 37.0% for fiscal 2011. For fiscal 2012, the UK self-employment matter impacted our effective tax rate. Excluding the impact of the settlement of the UK self-employment matter, our effective tax rate for fiscal 2012 would have been 38.1%. The difference in period-over-period effective tax rates is primarily the result of a tax benefit recorded in fiscal 2012 associated with a reduction in certain international tax rates. This was offset by tax benefits recorded in fiscal 2011 associated with the closure of our Finland business and reversing certain tax reserves upon expiration of the applicable statutes of limitations.

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Liquidity and Capital Resources

Cash flows provided by operating activities have historically supplied us with a significant source of liquidity. We use these cash flows, supplemented with long-term debt and short-term borrowings, to fund our operations and global initiatives, repurchase stock, pay down debt and opportunistically engage in franchise and other acquisitions. On October 30, 2013, we announced that we suspended our quarterly cash dividend, as described below (see Dividends). We believe that cash flows from operating activities, together with borrowings available under our revolving credit facility, will be sufficient for the next 12 months to fund currently anticipated capital expenditure requirements, debt service requirements and working capital requirements.

Balance Sheet Working Capital

The following table sets forth certain relevant measures of the Company s balance sheet working capital for the fiscal years ended:

	December 28, 2013	December 29, 2012 (in millions)	Increase/ (Decrease)
Total current assets	$ 315.7	$ 218.0	$ 97.7
Total current liabilities	345.8	447.9	(102.1)
Working capital deficit	(30.1)	(229.9)	(199.8)
Cash and cash equivalents	174.6	70.2	104.4
Current portion of long-term debt	30.0	114.7	(84.7)
Working capital deficit, excluding change in cash and cash equivalents and current portion of long-term debt	$ (174.7)	$ (185.4)	$ (10.7)

We generally operate with negative working capital. This is driven in part by our commitment plans which are our primary payment method. These plans require members and subscribers to pay us for meetings and subscription products, respectively, before we pay for our obligations in the normal course of business. These prepayments are recorded as a current liability on our balance sheet which results in negative working capital. Our working capital deficit decreased $199.8 million, to $30.1 million at December 28, 2013 from $229.9 million at December 29, 2012. Of this decline, the debt refinancing we undertook in April 2013, as well as scheduled debt repayments of $88.4 million which were offset by revolver borrowings of $70.0 million, lowered the current portion of our long-term debt by $84.7 million versus the end of fiscal 2012 as described below (see Long-Term Debt).

Excluding the changes in cash and cash equivalents and current portion of long-term debt from both periods, the working capital deficit at December 28, 2013 decreased by $10.7 million to $174.7 million from $185.4 million at December 29, 2012. The primary factors contributing to this decrease in our working capital deficit were a timing related increase of $7.0 million in income tax liabilities, a $5.9 million reduction in inventory, a $1.1 million decrease in accounts receivable and a $24.7 million net decrease to the working capital deficit resulting from other operational items.

These other operational items that resulted in the net decrease of $24.7 million to the working capital deficit included a $9.8 million decrease in deferred revenue from declines in our Online and Monthly Pass active bases, a $6.3 million decrease in the derivative payable, a $1.3 million increase in other accrued liabilities and a $7.3 million reduction in the previously reported UK self-employment liability related to a $6.8 million payment to HMRC in January 2013 with the balance of professional fees paid shortly thereafter.

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Cash Flows

The following table sets forth a summary of the Company s cash flows for the fiscal years ended:

	December 28, 2013	December 29, 2012 (in millions)	December 31, 2011
Net cash provided by operating activities	$ 323.5	$ 336.7	$ 407.0
Net cash used in investing activities	$ (145.3)	$ (109.5)	$ (45.2)
Net cash used in financing activities	$ (74.4)	$ (211.1)	$ (352.0)

Operating Activities

Fiscal 2013

Cash flows provided by operating activities of $323.5 million for fiscal 2013 decreased by $13.2 million from $336.7 million in fiscal 2012. The decrease in cash provided by operating activities was primarily the result of lower net income in fiscal 2013 as compared to the prior year offset by the non-cash early extinguishment of debt charge and the intangible and long-lived asset impairment charges in fiscal 2013 as well as a payment to HMRC in fiscal 2012 in connection with the previously reported UK self-employment liability.

The $323.5 million of cash flows provided by operating activities for fiscal 2013 exceeded the period s net income by $118.8 million. The excess of cash flows provided by operating activities over net income arose primarily from changes in our working capital as described above (see Balance Sheet Working Capital), non-cash expenses and differences between book and cash taxes.

Fiscal 2012

Cash flows provided by operating activities of $336.7 million in fiscal 2012 decreased by $70.3 million from $407.0 million in fiscal 2011. The decrease in cash provided by operating activities was primarily the result of lower net income in fiscal 2012 versus the prior year, a payment of $30.0 million to HMRC, as well as a $7.4 million accrual reversal based on the settlement of the UK self-employment matter.

The $336.7 million of cash flows provided by operating activities for fiscal 2012 exceeded the period s net income attributable to the Company by $79.3 million. The excess of cash flows provided by operating activities over net income arose primarily from changes in our working capital as described above (see Balance Sheet Working Capital), non-cash expenses and differences between book and cash taxes.

Investing Activities

Fiscal 2013

Net cash used for investing activities totaled $145.3 million in fiscal 2013, an increase of $35.9 million as compared to fiscal 2012. This increase was primarily attributable to the $83.8 million aggregate purchase price paid for franchise acquisitions completed in 2013. In fiscal 2013, we acquired substantially all of the assets of the following franchisees: Weight Watchers of Alberta Ltd. and Weight Watchers of Saskatchewan Ltd. for an aggregate purchase price of $35.0 million, Weight Watchers of West Virginia, Inc. for a net purchase price of $16.0 million, Weight Watchers of Columbus, Inc. for a net purchase price of $23.3 million, Weight Watchers of Northern Nevada, Inc. for a net purchase price of $4.0 million, Weight Watchers of Manitoba Ltd. for a net purchase price of $5.2 million, and Weight Watchers of Franklin and St. Lawrence Counties Inc. for a net purchase price of $0.3 million. In addition, we incurred capital expenditures in connection with the move of our headquarters, our retail initiative and capitalized software expenditures to support our customer relationship management platform and other global systems initiatives.

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Fiscal 2012

Net cash used for investing activities totaled $109.5 million in fiscal 2012, an increase of $64.3 million as compared to fiscal 2011. This increase was primarily attributable to additional capital expenditures in connection with our retail initiative and capitalized software expenditures to support global systems initiatives, as well as the $30.4 million paid in connection with our acquisitions of substantially all of the assets of our following franchisees: Slengora Limited, Weight Watchers of the Adirondacks, Inc. and Weight Watchers of the Mid-South, Inc.

Financing Activities

Fiscal 2013

Net cash used for financing activities totaled $74.4 million in fiscal 2013 and included $44.8 million of deferred financing fees in connection with our April 2013 debt refinancing. Additionally, term loan payments under our then existing credit facility of $2.41 billion were offset by new borrowings of $2.40 billion in connection with our April 2013 debt refinancing. In addition, we paid $29.6 million of dividends to our shareholders which offset $18.3 million in proceeds from stock options exercised and the tax benefit thereon in fiscal 2013.

Fiscal 2012

Net cash used for financing activities totaled $211.1 million in fiscal 2012 and included proceeds from new term loans under our then existing credit facilities of $1.45 billion and additional revolver borrowings of $30.0 million which were used to finance stock repurchases of $1.5 billion and deferred financing costs of $26.2 million in connection with the Tender Offer and related Artal Holdings share repurchase. See Stock Transactions for a description of the Tender Offer and the related Artal Holdings share repurchase. In addition, we paid $52.0 million of dividends to our shareholders and received $12.7 million in proceeds from stock options exercised in fiscal 2012.

Fiscal 2011

Net cash used for financing activities totaled $352.0 million in fiscal 2011 and consisted primarily of payments on our then existing revolving credit facility of $174.0 million and long-term debt repayments of $139.3 million, as well as stock repurchases of $34.9 million and dividend payments to our shareholders of $51.6 million. Offsetting these payments were proceeds from stock options exercised of $42.0 million in fiscal 2011.

Long-Term Debt

We currently plan to meet our long-term debt obligations by using cash flows provided by operating activities and opportunistically using other means to repay or refinance our obligations as we determine appropriate.

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The following schedule sets forth our long-term debt obligations (and interest rates, exclusive of the impact of swaps) at December 28, 2013:

Long-Term Debt

At December 28, 2013

(Balances in millions)

	Balance	Alternative Base Rate or LIBOR	Applicable Margin	Interest Rate
Revolving Facility due April 2, 2018	$	0.000%	0.000%	0.000%
Tranche B-1 Term Facility due April 2, 2016	298.5	0.170%	2.750%	2.920%
Tranche B-2 Term Facility due April 2, 2020	2,089.5	0.750%	3.000%	3.750%
Total Debt	2,388.0			
Less Current Portion	30.0			
Total Long-Term Debt	$ 2,358.0			

On April 2, 2013, we refinanced our credit facilities pursuant to a Credit Agreement, or the New Credit Agreement, among the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and an issuing bank, The Bank of Nova Scotia, as revolving agent swingline lender and an issuing bank, and the other parties thereto. The New Credit Agreement provides for (a) a revolving credit facility (including swing line loans and letters of credit) in an initial aggregate principal amount of $250.0 million that will mature on April 2, 2018, or the Revolving Facility, (b) an initial term B-1 loan credit facility in an aggregate principal amount of $300.0 million that will mature on April 2, 2016, or Tranche B-1 Term Facility, and (c) an initial term B-2 loan credit facility in an aggregate principal amount of $2,100.0 million that will mature on April 2, 2020, or Tranche B-2 Term Facility. We refer herein to the Tranche B-1 Term Facility together with the Tranche B-2 Term Facility as the Term Facilities, and the Term Facilities and Revolving Facility collectively as the WWI Credit Facility. In connection with this refinancing, we used the proceeds from borrowings under the Term Facilities to pay off a total of $2,399.9 million of outstanding loans, consisting of $128.8 million of Term B Loans, $110.6 million of Term C Loans, $117.6 million of Term D Loans, $1,125.0 million of Term E Loans, $817.9 million of Term F Loans, $21.2 million of loans under the Revolver A-1 and $78.8 million of loans under the Revolver A-2. Following the refinancing of a total of $2,399.9 million of loans, at April 2, 2013, we had $2,400.0 million debt outstanding under the Term Facilities and $248.8 million of availability under the Revolving Facility. We incurred fees of approximately $45.0 million during the second quarter of fiscal 2013 in connection with this refinancing. In the second quarter of fiscal 2013, we wrote-off fees associated with this refinancing which resulted in our recording a charge of $21.7 million in early extinguishment of debt.

At December 28, 2013, we had $2,388.0 million outstanding under the WWI Credit Facility, consisting entirely of term loans and there were no loans outstanding under the Revolving Facility. In addition, at December 28, 2013, the Revolving Facility had $1.6 million in issued but undrawn letters of credit outstanding thereunder and $248.4 million in available unused commitments thereunder. The proceeds from borrowings under the Revolving Facility (including swing line loans and letters of credit) will be used for working capital and general corporate purposes.

At the end of fiscal 2013, fiscal 2012 and fiscal 2011, our debt consisted entirely of variable-rate instruments. Interest rate swaps were entered into to hedge a portion of the cash flow exposure associated with our variable-rate borrowings. The average interest rate on our debt, exclusive of the impact of swaps, was approximately 3.6%, 3.0% and 2.4% per annum at the end of fiscal 2013, fiscal 2012 and fiscal 2011, respectively. The average interest rate on our debt, including the impact of swaps, was approximately 4.1%, 3.5% and 4.5% per annum at the end of fiscal 2013, fiscal 2012 and fiscal 2011, respectively.

Borrowings under the New Credit Agreement bear interest at a rate equal to, at our option, LIBOR plus an applicable margin or a base rate plus an applicable margin. LIBOR under the Tranche B-2 Term Facility is subject to a minimum interest rate of 0.75% and the base rate under the Tranche B-2 Term Facility is subject to a minimum interest rate of 1.75%. The applicable margin relating to both of the Term Facilities will increase by 25 basis points in the event that we receive a corporate rating of BB- (or lower) from S&P and a corporate rating of Ba3 (or lower) from Moody s. The applicable margin relating to the Revolving Facility will fluctuate depending upon our Consolidated Leverage Ratio (as defined in the New Credit Agreement). At December 28, 2013, borrowings under the Tranche B-1 Term Facility bore interest at LIBOR plus an applicable margin of 2.75% and borrowings under the Tranche B-2 Term Facility bore interest at LIBOR plus an applicable margin of 3.00%. At our Consolidated Leverage Ratio as of December 28, 2013, had there been any borrowings under the Revolving Facility, it would have borne interest at LIBOR plus an applicable margin of 2.25% or base rate plus an applicable margin of 1.25%. On February 21, 2014, both S&P and Moody s issued revised corporate ratings of the Company of B+ and B1, respectively. As a result, effective February 21, 2104, the applicable margin on borrowings under the Tranche B-1 Term Facility went from 2.75% to 3.00% and on borrowings under the Tranche B-2 Term Facility went from 3.00% to 3.25%.

On a quarterly basis, we will pay a commitment fee to the lenders under the Revolving Facility in respect of unutilized commitments thereunder, which commitment fee will fluctuate, but in no event exceed 0.50% per annum, depending upon our Consolidated Leverage Ratio. At our Consolidated Leverage Ratio as of December 28, 2013, the commitment fee was 0.40% per annum. We also will pay customary letter of credit fees and fronting fees under the Revolving Facility.

The New Credit Agreement contains customary covenants including covenants that, in certain circumstances, restrict our ability to incur additional indebtedness, pay dividends on and redeem capital stock, make other payments, including investments, sell our assets and enter into consolidations, mergers and transfers of all or substantially all of our assets. The Revolving Facility requires us to not exceed a specified Consolidated Leverage Ratio, but only if borrowings under the Revolving Facility exceed 20.0% of revolving commitments as of the end of such fiscal quarter. As of December 28, 2013, the maximum Consolidated Leverage Ratio was 5.00:1.00 and borrowings in excess of $50 million would require us to not exceed such ratio. As of December 28, 2013, our actual Consolidated Leverage Ratio was 4.21:1.00 and there were no borrowings under our Revolving Facility and total letters of credit issued were $1.6 million. The requirement to not exceed the Consolidated Leverage Ratio may effectively limit our ability to borrow funds in excess of $50.0 million under the Revolving Facility. The Term Facilities do not require us to maintain any financial ratios. The WWI Credit Facility is guaranteed by certain of our existing and future subsidiaries. Substantially all of our assets secure the WWI Credit Facility.

During the first quarter of fiscal 2012, the composition of our then existing WWI Credit Facility changed as a result of our amending and restating our then existing WWI Credit Facility to, among other things, extend the maturity of certain of our term loan facilities and our revolving credit facility and to obtain new commitments for the borrowing of an additional $1,449.4 million of term loans to finance the purchases of shares of our common stock in the Tender Offer and from Artal Holdings pursuant to the Purchase Agreement.

Immediately prior to the amendment of our then existing WWI Credit Facility, the term loan facilities consisted of a tranche A-1 loan, or Term A-1 Loan, a tranche B loan, or Term B Loan, a tranche C loan, or Term C Loan, and a tranche D loan, or Term D Loan, and a revolving credit facility, or Revolver A-1. The aggregate principal amount then outstanding under (i) the Term A-1 Loan was $128.6 million, (ii) the Term B Loan was $237.5 million, (iii) the Term C Loan was $420.4 million and (iv) the Term D Loan was $238.2 million. Immediately prior to the amendment of our then existing WWI Credit Facility, the Revolver A-1 had no loans outstanding under it, $1.0 million of issued but undrawn letters of credit and $331.6 million in available unused commitments thereunder.

Following the amendment of our then existing WWI Credit Facility on March 15, 2012, (i) $33.1 million in aggregate principal amount of the Term A-1 Loan and $301.8 million in aggregate principal amount of the Term C Loan were converted into, and $849.4 million in aggregate principal amount of commitments to borrow new term loans were provided under, a new tranche E loan, or Term E Loan, (ii) $107.0 million in aggregate principal amount of the Term B Loan and $119.1 million in aggregate principal amount of the Term D Loan were converted into, and $600.0 million in aggregate principal amount of commitments to borrow new term loans were provided under, a new tranche F loan, or Term F Loan, and (iii) $262.0 million in aggregate principal amount of commitments under the Revolver A-1 were converted into a new revolving credit facility, or Revolver A-2. The loans outstanding under each term loan facility existing prior to the amendment of the our then existing WWI Credit Facility and the loans and commitments outstanding under the Revolver A-1, in each case that were not converted into the Term E Loan, the Term F Loan or the Revolver A-2, as applicable, continued to remain outstanding under our then existing WWI Credit Facility as the Term A-1 Loan, the Term B Loan, the Term C Loan, the Term D Loan or the Revolver A-1, as applicable. In connection with this amendment, we incurred fees of approximately $26.2 million in the first quarter of fiscal 2012. On March 27, 2012, we borrowed an aggregate of $726.0 million under the Term E Loan and the Term F Loan to finance the purchase of shares in the Tender Offer and to pay a portion of the related fees and expenses. On April 9, 2012, we borrowed an aggregate of approximately $723.4 million under the Term E Loan to finance the purchase of shares from Artal Holdings.

Dividends

On October 30, 2013, we announced that we suspended our quarterly cash dividend. As a result, no dividend was issued for the fourth quarter of fiscal 2013. We historically had issued a quarterly cash dividend of $0.175 per share of our common stock every quarter for the past several fiscal years. We currently intend to use the annual cash savings from such dividend suspension to preserve financial flexibility while funding our strategic growth initiatives and building cash for future debt repayments. Any future determination to declare and pay dividends will be made at the discretion of our Board of Directors, after taking into account our financial results, capital requirements and other factors it may deem relevant. The WWI Credit Facility also contains restrictions on our ability to pay dividends on our common stock.

The WWI Credit Facility provides that we are permitted to pay dividends and extraordinary dividends, as well as repurchase shares of our common stock, so long as we are not in default under the WWI Credit Facility agreement. However, payment of extraordinary dividends and stock repurchases shall not exceed $100.0 million in the aggregate in any fiscal year if the Consolidated Leverage Ratio is greater than 3.25:1. As of December 28, 2013, our Consolidated Leverage Ratio was greater than 3.25:1 and we expect that it will remain above 3.25:1 for the foreseeable future.

Contractual Obligations

We are obligated under non-cancelable operating leases primarily for office and rent facilities. Consolidated rent expense charged to operations under all our leases for fiscal 2013 was approximately $46.3 million.

The following table summarizes our future contractual obligations as of the end of fiscal 2013:

	Payment Due by Period (in millions)				
	Total	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long-Term Debt[(1)]					
Principal	$ 2,388.0	$ 30.0	$ 331.5	$ 42.0	$ 1,984.5
Interest	521.3	108.4	166.6	133.3	113.0
Operating leases	265.4	41.1	67.3	39.0	118.0
Other long-term obligations[(2)]	10.6	0.1	1.1	0.2	9.2
Total	$ 3,185.3	$ 179.6	$ 566.5	$ 214.5	$ 2,224.7

(1) Due to the fact that all of our debt is variable rate based, we have assumed for purposes of this table that the interest rate on all of our debt as of the end of fiscal 2013 remains constant for all periods presented.

(2) Other long-term obligations primarily consist of deferred rent costs. The provision for income tax contingencies included in other long-term liabilities on the consolidated balance sheet is not included in the table above due to the fact that the Company is unable to estimate the timing of payment for this liability.

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We currently plan to meet our long-term debt obligations by using cash flows provided by operating activities and opportunistically using other means to repay or refinance our obligations as we determine appropriate. We believe that cash flows from operating activities, together with borrowings available under our Revolver, will be sufficient for the next 12 months to fund currently anticipated capital expenditure requirements, debt service requirements and working capital requirements.

Franchise Acquisitions

We did not acquire any franchises in fiscal 2011. In fiscal 2012 and fiscal 2013, we made the following franchise acquisitions:

In September 2012, we acquired substantially all of the assets of our Southeastern Ontario and Ottawa, Canada franchisee, Slengora Limited, for a net purchase price of $16.8 million.

In November 2012, we acquired substantially all of the assets of our Adirondacks franchisee, Weight Watchers of the Adirondacks, Inc., for a purchase price of $3.4 million.

In December 2012, we acquired substantially all of the assets of our Memphis, Tennessee franchisee, Weight Watchers of the Mid-South, Inc., for a purchase price of $10.0 million.

In March 2013, we acquired substantially all of the assets of our Alberta and Saskatchewan, Canada franchisees, Weight Watchers of Alberta Ltd. and Weight Watchers of Saskatchewan Ltd., for an aggregate purchase price of $35.0 million.

In July 2013, we acquired substantially all of the assets of our West Virginia franchisee, Weight Watchers of West Virginia, Inc., for a net purchase price of $16.0 million, our Columbus, Ohio franchisee, Weight Watchers of Columbus, Inc., for a net purchase price of $23.3 million and our Reno, Nevada franchisee, Weight Watchers of Northern Nevada, Inc., for a net purchase price of $4.0 million.

In October 2013, we acquired substantially all of the assets of our Manitoba, Canada franchisee, Weight Watchers of Manitoba Ltd., for a net purchase price of $5.2 million and our Franklin and St. Lawrence Counties, New York franchisee, Weight Watchers of Franklin and St. Lawrence Counties Inc., for a net purchase price of $0.3 million.

Stock Transactions

On October 9, 2003, our Board of Directors authorized and we announced a program to repurchase up to $250.0 million of our outstanding common stock. On each of June 13, 2005, May 25, 2006 and October 21, 2010, our Board of Directors authorized and we announced adding $250.0 million to this program. The repurchase program allows for shares to be purchased from time to time in the open market or through privately negotiated transactions. No shares will be purchased from Artal Holdings and its parents and subsidiaries under this program. The repurchase program currently has no expiration date. During the twelve months ended December 28, 2013 and December 29, 2012, the Company repurchased no shares of its common stock in the open market under this program. The repurchase of shares of common stock under the Tender Offer and from Artal Holdings pursuant to the Purchase Agreement, as discussed further below, was not made pursuant to the repurchase program. During the twelve months ended December 31, 2011, the Company repurchased in its first quarter 0.8 million shares of its common stock in the open market under this program for a total cost of $31.6 million, and in its second, third and fourth quarters no shares of its common stock under this program.

On February 23, 2012, we commenced a modified Dutch auction tender offer for up to $720.0 million in value of our common stock at a purchase price not less than $72.00 and not greater than $83.00 per share, or the Tender Offer. Prior to the Tender Offer, on February 14, 2012, we entered into an agreement, or the Purchase

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Agreement, with Artal Holdings whereby Artal Holdings agreed to sell to us, at the same price as was determined in the Tender Offer, such number of its shares of our common stock that, upon the closing of this purchase after the completion of the Tender Offer, Artal Holdings percentage ownership in the outstanding shares of our common stock would be substantially equal to its level prior to the Tender Offer. Artal Holdings also agreed not to participate in the Tender Offer so that it would not affect the determination of the purchase price of the shares in the Tender Offer.

The Tender Offer expired at midnight, New York time, on March 22, 2012, and on March 28, 2012 we repurchased approximately 8.8 million shares at a purchase price of $82.00 per share. On April 9, 2012, we repurchased approximately 9.5 million of Artal Holdings shares at a purchase price of $82.00 per share pursuant to the Purchase Agreement. In March 2012, we amended and extended our then existing credit facilities to finance these repurchases. See Long-Term Debt .

The WWI Credit Facility provides that we are permitted to pay dividends and extraordinary dividends, as well as repurchase shares of our common stock, so long as we are not in default under the WWI Credit Facility agreement. However, payment of extraordinary dividends and stock repurchases shall not exceed $100.0 million in the aggregate in any fiscal year if the Consolidated Leverage Ratio is greater than 3.25:1. As of December 28, 2013, our Consolidated Leverage Ratio was greater than 3.25:1 and we expect that it will remain above 3.25:1 for the foreseeable future.

Factors Affecting Future Liquidity

Any future acquisitions, joint ventures or other similar transactions could require additional capital and we cannot be certain that any additional capital will be available on acceptable terms or at all. Our ability to fund our capital expenditure requirements, interest, principal and dividend payment obligations and working capital requirements and to comply with all of the financial covenants under our debt agreements depends on our future operations, performance and cash flow. These are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond our control.

Off-Balance Sheet Transactions

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes, such as entities often referred to as structured finance or special purpose entities.

Related Parties

For a discussion of related party transactions affecting us, see Item 12. Certain Relationships and Related Transactions, and Director Independence in Part III of this Annual Report on Form 10-K.

Seasonality

Our business is seasonal, with revenues generally decreasing at year end and during the summer months. Our operating income for the first half of the year is generally the strongest, and the first quarter of the fiscal year typically results in the greatest revenue due to the importance of the winter diet season to our overall recruitment environment. Our advertising schedule generally supports the three key recruitment-generating seasons of the year: winter, spring and fall, with winter having the highest concentration of advertising spending. The timing of certain holidays, particularly Easter, which precedes the spring marketing campaign and occurs between March 22 and April 25, may affect our results of operations and the year-to-year comparability of our results. The introduction of Monthly Pass in the meetings business has resulted in less seasonality with regard to our meeting fee revenues because its revenues are amortized over the related subscription period. While

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WeightWatchers.com experiences seasonality similar to the meetings business in terms of new subscriber sign-ups, its revenue tends to be less seasonal because it amortizes subscription revenue over the related subscription period.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks relating to interest rate changes and foreign currency fluctuations. All of our market risk sensitive instruments were entered into for purposes other than trading. As of the end of fiscal 2013, there have been no material changes to the Company s exposure to market risk since the end of fiscal 2012.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates to interest expense of variable rate debt, in particular changes in LIBOR or the base rates which are used to determine the applicable interest rates for borrowings under the WWI Credit Facility. As of the end of fiscal 2013, borrowings under the Tranche B-1 Term Facility bore interest at LIBOR plus an applicable margin of 2.75% and borrowings under the Tranche B-2 Term Facility bore interest at LIBOR plus an applicable margin of 3.00%, and we had no borrowings under the Revolving Facility. As of the end of fiscal 2013, we had in effect an interest rate swap with a notional amount totaling $466.2 million to hedge a portion of our variable rate debt. As of such date, we had $2,388.0 million of variable rate debt, of which $1,921.8 million remained unhedged. This interest rate swap that went effective on January 4, 2010 and terminated on January 27, 2014 had an initial notional amount of $425.0 million, which amount fluctuated during the remainder of its term to a maximum of $466.2 million. From December 29, 2012 through April 1, 2013, this swap had qualified for hedge accounting, and therefore changes in the fair value of this derivative were recorded in accumulated other comprehensive income (loss). Effective April 2, 2013, due to our debt refinancing, we ceased the application of hedge accounting for this swap. Accordingly, changes in the fair value of this swap were recorded in earnings subsequent to April 2, 2013 and were immaterial for fiscal 2013.

On July 26, 2013, in order to hedge an additional portion of our variable rate debt, we entered into a forward-starting interest rate swap with an effective date of March 31, 2014 and a termination date of April 2, 2020. The initial notional amount of this swap is $1.5 billion. During the term of this swap, the notional amount will decrease from $ 1.5 billion effective March 31, 2014 to $ 1.25 billion on April 3, 2017 with a further reduction to $ 1.0 billion on April 1, 2019. This interest rate swap in effect converts the variable interest rate on a portion of our debt equal to the notional amount of this swap to a fixed rate of 2.38125%. This swap qualifies for hedge accounting and, therefore, changes in the fair value of this swap have been recorded in accumulated other comprehensive income (loss).

As of the end of fiscal 2013, based on the amount of our variable rate debt and the interest rate swap agreement at that time, a hypothetical 50 basis point increase or decrease in interest rates on our variable rate debt would increase or decrease our annual interest expense by approximately $9.6 million. This change in market risk exposure from the end of fiscal 2012 was primarily driven by the reduction of the notional amount of our interest rate swap from $583.2 million at the end of fiscal 2012 to $466.2 million at the end of fiscal 2013.

Foreign Currency Risk

Other than inter-company transactions between our domestic and foreign entities, we generally do not have significant transactions that are denominated in a currency other than the functional currency applicable to each entity. As a result, substantially all of our revenues and expenses in each jurisdiction in which we operate are in the same functional currency. In general, we are a net receiver of currencies other than the US dollar. Accordingly, changes in exchange rates may negatively affect our revenues and gross margins as expressed in US dollars. In the future, we may enter into forward and swap contracts to hedge transactions denominated in foreign currencies to reduce the currency risk associated with fluctuating exchange rates. Realized and unrealized gains and losses from any of these transactions may be included in net income for the period.

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Fluctuations in currency exchange rates, particularly with respect to the euro and pound sterling, may impact our shareholders equity. The assets and liabilities of our non-US subsidiaries are translated into US dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated into US dollars at the average exchange rate for the period. The resulting translation adjustments are recorded in shareholders equity as a component of accumulated other comprehensive income (loss). In addition, exchange rate fluctuations will cause the US dollar translated amounts to change in comparison to prior periods.

Item 8. Financial Statements and Supplementary Data

This information is incorporated by reference to our consolidated financial statements on pages F-1 through F-33 and our financial statement schedule on page S-1, including the report thereon of PricewaterhouseCoopers LLP on page F-2.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation and subject to the foregoing, our principal executive officer and principal financial officer concluded that the design and operation of our disclosure controls and procedures are effective at the reasonable assurance level.

Internal Control Over Financial Reporting

Management s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our management assessed the effectiveness of our internal control over financial reporting as of December 28, 2013, the end of fiscal 2013. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (1992). Based on this assessment, our management, under the supervision and with the participation of our principal executive officer and principal financial officer, concluded that, as of December 28, 2013, our internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 28, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on page F-2 to our consolidated financial statements.

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Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our most recent fiscal quarter (the fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

On February 13, 2014, in connection with its cost saving initiative, the Company committed to a plan of termination which will result in the elimination of certain positions and employees worldwide. The Company determined that it will notify affected employees following the commitment date. In connection with this plan, the Company anticipates recording restructuring charges in connection with employee termination benefit costs of approximately $10.0 million (which is expected to be divided equally between general and administrative expenses and operating expenses related to field restructuring) during the first and second quarters of fiscal 2014. Substantially all of these costs are expected to result in cash expenditures related to separation payments and other employee termination expenses. The Company expects the plan to be fully executed by the end of fiscal 2014.

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PART III

Items 10, 11, 12, 13 and 14. Directors, Executive Officers and Corporate Governance; Executive Compensation; Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters; Certain Relationships and Related Transactions, and Director Independence; Principal Accountant Fees and Services

Information called for by Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2014 Annual Meeting of Shareholders pursuant to Regulation 14A, except that (i) the information regarding our directors and executive officers called for by Items 401(a), (b) and (e) of Regulation S-K has been included in Part I of this Annual Report on Form 10-K; (ii) the information regarding certain Company equity compensation plans called for by Item 201(d) of Regulation S-K is set forth below and (iii) the information regarding our Code of Business Conduct and Ethics called for by Item 406 of Regulation S-K is set forth below.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes our equity compensation plan information as of December 28, 2013:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1) (a)	Weighted-average exercise price of outstanding options, warrants and rights(2) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(3) (c)
Equity compensation plans approved by security holders	2,466,045	$ 35.09	1,445,780
Equity compensation plans not approved by security holders			
Total	2,466,045	$ 35.09	1,445,780

(1) Consists of 2,213,356 shares of our common stock issuable upon the exercise of outstanding options and 252,689 shares of our common stock issuable upon the vesting of restricted stock units awarded under our 2008 Stock Incentive Plan, or 2008 Plan, our 2004 Stock Incentive Plan, or 2004 Plan, and our 1999 Stock Purchase and Option Plan, or 1999 Plan.

(2) Includes weighted-average exercise price of stock options outstanding of $39.09 and restricted stock units of $0.

(3) Consists of shares of our common stock issuable under our 2008 Plan and 2004 Plan pursuant to various awards the Compensation and Benefits Committee may make, including non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock units, restricted stock and other equity-based awards. Our 1999 Plan terminated on December 16, 2009 pursuant to its terms and in connection with such termination no additional securities can be issued under the plan. Pursuant to the terms of our 2008 Plan, the number of shares of our common stock available for issuance under the 2008 Plan was increased by 550,272 shares, the remaining number of shares of our common stock with respect to which awards could be granted under the 1999 Plan upon its termination.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics for our officers, including our principal executive officer, principal financial officer, principal accounting officer or controller, and our employees and directors. Our Code of Business Conduct and Ethics is available on our website at www.weightwatchersinternational.com.

In addition to any disclosures required under the Exchange Act, the date and nature of any substantive amendment of our Code of Business Conduct and Ethics or waiver thereof applicable to any of our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, and that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K of the Exchange Act, will be disclosed on our website at www.weightwatchersinternational.com within four business days of the date of such amendment or waiver. In the case of a waiver, the name of the person to whom the waiver was granted will also be disclosed on our website within four business days of the date of such waiver.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements

The financial statements listed in the Index to Financial Statements and Financial Statement Schedule on page F-1 are filed as part of this Annual Report on Form 10-K.

2. Financial Statement Schedule

The financial statement schedule listed in the Index to Financial Statements and Financial Statement Schedule on page F-1 is filed as part of this Annual Report on Form 10-K.

3. Exhibits

The exhibits listed in the Exhibit Index are filed as part of this Annual Report on Form 10-K.

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE COVERED BY REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Items 15(a) (1) & (2)

All other schedules are omitted for the reason that they are either not required, not applicable, not material or the information is included in the consolidated financial statements or notes thereto.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Weight Watchers International, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index appearing on page F-1 present fairly, in all material respects, the financial position of Weight Watchers International, Inc. and its subsidiaries (the Company) at December 28, 2013 and December 29, 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 28, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index on page F-1 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 28, 2013, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (1992). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

New York, New York

February 26, 2014

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT

(IN THOUSANDS)

	December 28, 2013	December 29, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 174,557	$ 70,215
Receivables (net of allowances: December 28, 2013 $3,477 and December 29, 2012 $3,447)	36,248	37,363
Inventories	40,939	46,846
Deferred income taxes	24,457	21,757
Prepaid expenses and other current assets	39,524	41,786
TOTAL CURRENT ASSETS	315,725	217,967
Property and equipment, net	87,052	71,768
Franchise rights acquired	836,835	783,695
Goodwill	79,294	62,726
Trademarks and other intangible assets, net	45,297	52,480
Deferred financing costs, net	42,046	26,571
Other noncurrent assets	2,682	3,400
TOTAL ASSETS	$ 1,408,931	$ 1,218,607
LIABILITIES AND TOTAL DEFICIT		
CURRENT LIABILITIES		
Portion of long-term debt due within one year	$ 30,000	$ 114,695
Accounts payable	45,496	49,349
Salaries and wages payable	65,810	56,490
Accrued marketing and advertising	15,509	27,437
Accrued interest	22,776	13,552
Other accrued liabilities	89,899	100,171
Deferred revenue	76,330	86,161
TOTAL CURRENT LIABILITIES	345,820	447,855
Long-term debt	2,358,000	2,291,669
Deferred income taxes	164,064	129,431
Other	15,669	15,111
TOTAL LIABILITIES	2,883,553	2,884,066
Commitments and contingencies (Note 13)		
TOTAL DEFICIT		
Common stock, $0 par value; 1,000,000 shares authorized; 111,988 shares issued	0	0
Treasury stock, at cost, 55,562 shares at December 28, 2013 and 56,234 shares at December 29, 2012	(3,256,406)	(3,281,831)
Retained earnings	1,773,267	1,603,513
Accumulated other comprehensive income	8,517	12,859
TOTAL DEFICIT	(1,474,622)	(1,665,459)
TOTAL LIABILITIES AND TOTAL DEFICIT	$ 1,408,931	$ 1,218,607

The accompanying notes are an integral part of the consolidated financial statements.

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME FOR THE FISCAL YEARS ENDED

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	December 28, 2013 (52 weeks)	December 29, 2012 (52 weeks)	December 31, 2011 (52 weeks)
Meeting fees, net	$ 851,626	$ 934,933	$ 990,296
Product sales and other, net	350,271	400,161	442,703
Internet revenues	522,226	504,338	399,495
Revenues, net	1,724,123	1,839,432	1,832,494
Cost of meetings, products and other	652,283	681,972	718,284
Cost of Internet revenues	70,728	63,642	55,705
Cost of revenues	723,011	745,614	773,989
Gross profit	1,001,112	1,093,818	1,058,505
Marketing expenses	295,628	353,673	302,923
Selling, general and administrative expenses	244,727	229,340	209,254
Operating income	460,757	510,805	546,328
Interest expense	103,108	90,537	59,850
Other expense, net	599	1,979	3,386
Early extinguishment of debt	21,685	1,328	0
Income before income taxes	335,365	416,961	483,092
Provision for income taxes	130,640	159,535	178,748
Net income	204,725	257,426	304,344
Net loss attributable to the noncontrolling interest	0	0	523
Net income attributable to Weight Watchers International, Inc.	$ 204,725	$ 257,426	$ 304,867
Earnings Per Share attributable to Weight Watchers International, Inc.			
Basic	$ 3.65	$ 4.27	$ 4.16
Diluted	$ 3.63	$ 4.23	$ 4.11
Weighted average common shares outstanding			
Basic	56,144	60,294	73,344
Diluted	56,394	60,923	74,131
Dividends declared per common share	$ 0.53	$ 0.70	$ 0.70

The accompanying notes are an integral part of the consolidated financial statements.

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(IN THOUSANDS)

	December 28, 2013 (52 weeks)	December 29, 2012 (52 weeks)	December 31, 2011 (52 weeks)
Net income	$ 204,725	$ 257,426	$ 304,344
Other comprehensive income:			
Foreign currency translation adjustments	(10,363)	763	(1,111)
Income tax effect on foreign currency translation adjustments	4,022	(225)	433
Foreign currency translation adjustments, net of taxes	(6,341)	538	(678)
Changes in fair value of derivatives	3,277	11,016	17,698
Income tax effect on changes in fair value of derivatives	(1,278)	(4,296)	(6,902)
Changes in fair value of derivatives, net of taxes	1,999	6,720	10,796
Total other comprehensive (loss) income	(4,342)	7,258	10,118
Comprehensive income	200,383	264,684	314,462
Comprehensive loss attributable to the noncontrolling interest	0	0	523
Comprehensive income attributable to Weight Watchers International, Inc.	$ 200,383	$ 264,684	$ 314,985

The accompanying notes are an integral part of the consolidated financial statements.

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL DEFICIT

(IN THOUSANDS)

	Weight Watchers International, Inc.							
	Common Stock		Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount				
Balance at January 1, 2011	111,988	$ 0	38,618	$ (1,794,066)	$ (4,517)	$ 1,103,817	$ 4,042	$ (690,724)
Purchase of noncontrolling interest						(953)	(3,519)	(4,472)
Comprehensive Income					10,118	304,867	(523)	314,462
Issuance of treasury stock under stock plans			(1,042)	31,633		8,337		39,970
Tax benefit of restricted stock units vested and stock options exercised						5,093		5,093
Cash dividends declared						(51,612)		(51,612)
Purchase of treasury stock			814	(31,550)				(31,550)
Compensation expense on share-based awards						9,067		9,067
Balance at December 31, 2011	111,988	$ 0	38,390	$ (1,793,983)	$ 5,601	$ 1,378,616	$ 0	$ (409,766)
Comprehensive Income					7,258	257,426	0	264,684
Issuance of treasury stock under stock plans			(435)	16,341		(5,678)		10,663
Tax benefit of restricted stock units vested and stock options exercised						3,408		3,408
Cash dividends declared						(39,104)		(39,104)
Purchase of treasury stock			18,279	(1,498,902)				(1,498,902)
Tender Offer fees				(5,287)				(5,287)
Compensation expense on share-based awards						8,845		8,845
Balance at December 29, 2012	111,988	$ 0	56,234	$ (3,281,831)	$ 12,859	$ 1,603,513	$ 0	$ (1,665,459)
Comprehensive Income					(4,342)	204,725	0	200,383
Issuance of treasury stock under stock plans			(672)	25,425		(10,304)		15,121
Tax benefit of restricted stock units vested and stock options exercised						537		537
Cash dividends declared						(29,459)		(29,459)
Compensation expense on share-based awards						4,255		4,255
Balance at December 28, 2013	111,988	$ 0	55,562	$ (3,256,406)	$ 8,517	$ 1,773,267	$ 0	$ (1,474,622)

The accompanying notes are an integral part of the consolidated financial statements.

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED

(IN THOUSANDS)

	December 28, 2013 (52 Weeks)	December 29, 2012 (52 Weeks)	December 31, 2011 (52 Weeks)
Operating activities:			
Net income	$ 204,725	$ 257,426	$ 304,344
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	44,904	36,640	30,995
Amortization of deferred financing costs	7,672	7,070	4,825
Impairment of intangible and long-lived assets	5,426	0	0
Share-based compensation expense	4,255	8,845	9,067
Deferred tax provision	35,380	26,765	25,291
Allowance for doubtful accounts	596	(1,067)	1,441
Reserve for inventory obsolescence	9,580	10,491	13,203
Foreign currency exchange rate loss/(gain)	659	(722)	(80)
Loss on disposal of assets	1,417	590	500
Loss on investment	0	2,697	3,585
Early extinguishment of debt	21,685	1,328	0
Other items, net	0	0	105
Changes in cash due to:			
Receivables	345	5,870	(563)
Inventories	(2,226)	(1,341)	(24,456)
Prepaid expenses	1,037	(639)	2,531
Accounts payable	(3,607)	(11,794)	17,495
UK self-employment liability	(7,272)	(37,441)	2,931
Accrued liabilities	4,988	28,042	2,348
Deferred revenue	(10,521)	1,539	10,555
Income taxes	4,473	2,408	2,922
Cash provided by operating activities	323,516	336,707	407,039
Investing activities:			
Capital expenditures	(40,657)	(48,807)	(21,750)
Capitalized software expenditures	(21,277)	(29,926)	(23,086)
Cash paid for acquisitions	(83,825)	(30,400)	0
Other items, net	411	(323)	(374)
Cash used for investing activities	(145,348)	(109,456)	(45,210)
Financing activities:			
Proceeds from new term loans	2,400,000	1,449,397	0
Net borrowings/(payments) on revolver	70,000	30,000	(174,000)
Payments on long-term debt	(2,488,364)	(124,833)	(139,285)
Payment of dividends	(29,571)	(51,961)	(51,624)
Payments to acquire treasury stock	0	(1,504,189)	(34,924)
Deferred financing costs	(44,817)	(26,248)	0
Proceeds from stock options exercised	16,187	12,688	42,040
Tax benefit of restricted stock units vested and stock options exercised	2,132	4,026	5,831

Cash used for financing activities	(74,433)	(211,120)	(351,962)
Effect of exchange rate changes on cash and cash equivalents and other	607	885	(13)
Net increase in cash and cash equivalents	104,342	17,016	9,854
Cash and cash equivalents, beginning of fiscal year	70,215	53,199	43,345
Cash and cash equivalents, end of fiscal year	$ 174,557	$ 70,215	$ 53,199

The accompanying notes are an integral part of the consolidated financial statements.

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. Basis of Presentation

The accompanying consolidated financial statements include the accounts of Weight Watchers International, Inc. and all of its subsidiaries. The term Company as used throughout these notes is used to indicate Weight Watchers International, Inc. and all of its businesses consolidated for purposes of its financial statements. The term WWI as used throughout these notes is used to indicate Weight Watchers International, Inc. and all of the Company s businesses other than WW.com. The term WW.com as used throughout these notes is used to indicate WeightWatchers.com, Inc. and all of the Company s Internet-based businesses.

As further discussed in Note 3, effective with its formation in February 2008, the Company consolidated the financial statements of Weight Watchers China Limited.

Revisions:

The Company identified a correction in the statements of cash flows for the year ended 2012 and 2011 as it relates to foreign currency activity, resulting in a reclassification between accrued liabilities and effect of exchange rate changes on cash and cash equivalents and other. The effects of this revision on the previously reported amounts are as follows:

	December 29, 2012	December 31, 2011
Cash provided by operating activities	$ (12,684)	$ 2,231
Effect of exchange rate changes on cash and cash equivalents	$ 12,684	$ (2,231)

In addition, the classification of certain brand marketing funds received from licensees has been revised to reflect them as revenue as opposed to being recorded as an offset to expense, increasing the first nine months of fiscal 2013, full year fiscal 2012 and full year fiscal 2011 Product sales and other, net, Cost of meetings, products and other, Gross profit, Marketing expenses and Selling, general and administrative expenses as follows:

	December 28, 2013	December 29, 2012	December 31, 2011
Product sales and other, net	$ 12,058	$ 12,620	$ 13,338
Cost of meetings, products and other	$ 1,078	$ 1,589	$ 1,974
Gross profit	$ 10,979	$ 11,031	$ 11,364
Marketing expenses	$ 10,279	$ 10,158	$ 10,572
Selling, general and administrative expenses	$ 701	$ 873	$ 792

These adjustments were not considered to be material, individually or in the aggregate, to previously issued financial statements. However, because of the significance of these adjustments, the Company revised its fiscal 2012 and fiscal 2011 consolidated statements of cash flows and its first nine months of fiscal 2013, fiscal 2012 and fiscal 2011 consolidated statements of income. These revisions had no impact on the consolidated balance sheets, consolidated statements of comprehensive income or consolidated statements of changes in stockholders equity included in these financial statements.

2. Summary of Significant Accounting Policies

Fiscal Year:

The Company s fiscal year ends on the Saturday closest to December 31st and consists of either 52 or 53-week periods. Fiscal years 2013, 2012 and 2011 each contained 52 weeks. WW.com s fiscal year ends on December 31st of each year. This difference in fiscal years does not have a material effect on the consolidated financial statements.

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Use of Estimates:

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates and judgments, including those related to inventories, the impairment analysis for goodwill and other indefinite-lived intangible assets, share-based compensation, income taxes, tax contingencies and litigation. The Company bases its estimates on historical experience and on various other factors and assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual amounts could differ from these estimates.

Translation of Foreign Currencies:

For all foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated into US dollars using the exchange rate in effect at the end of each reporting period. Income statement accounts are translated at the average rate of exchange prevailing during each reporting period. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive income (loss).

Foreign currency gains and losses arising from the translation of intercompany receivables with the Company s international subsidiaries are recorded as a component of other expense (income), net, unless the receivable is considered long-term in nature, in which case the foreign currency gains and losses are recorded as a component of comprehensive income (loss).

Cash Equivalents:

Cash and cash equivalents are defined as highly liquid investments with original maturities of three months or less. Cash balances may, at times, exceed insurable amounts. The Company believes it mitigates this risk by investing in or through major financial institutions. Cash includes balances due from third-party credit card companies.

Inventories:

Inventories, which consist of finished goods, are stated at the lower of cost or market on a first-in, first-out basis, net of reserves for obsolescence and shrinkage.

Property and Equipment:

Property and equipment are recorded at cost. For financial reporting purposes, equipment is depreciated on the straight-line method over the estimated useful lives of the assets (3 to 10 years). Leasehold improvements are amortized on the straight-line method over the shorter of the term of the lease or the useful life of the related assets. Expenditures for new facilities and improvements that substantially extend the useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any related gains or losses are included in income.

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Impairment of Long Lived Assets:

The Company reviews long-lived assets, including amortizable intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable.

In fiscal 2013, the Company commenced the shutdown of its China operations and, as a result, recorded an impairment charge of $1,607 related to property, plant and equipment ($372) and amortizable intangible assets ($1,235). The Company also recorded an impairment charge of $2,653 in fiscal 2013 related to internal-use computer software that was not expected to provide substantive service potential.

Franchise Rights Acquired, Goodwill and Other Intangible Assets:

Finite-lived intangible assets are amortized using the straight-line method over their estimated useful lives of 3 to 20 years. The Company reviews goodwill and other indefinite-lived intangible assets, including franchise rights acquired, for potential impairment on at least an annual basis or more often if events so require. The Company performed fair value impairment testing as of the end of fiscal 2013 and fiscal 2012 on its goodwill and other indefinite-lived intangible assets.

In performing the impairment analysis for goodwill, the fair value for the Company s reporting units is estimated using a discounted cash flow approach. This approach involves projecting future cash flows attributable to the reporting unit and discounting those estimated cash flows using an appropriate discount rate. The estimated fair value is then compared to the carrying value of the reporting unit. The Company has determined the appropriate reporting unit for purposes of assessing annual impairment to be the country for all reporting units aside from WW.com, for which the reporting unit has been aggregated into one unit. The values of goodwill for the WWI reporting units in the United States, Canada and other countries at December 28, 2013 were $32,668, $5,124 and $3,677, respectively, totaling $41,469. The value of goodwill for the WW.com reporting unit at December 28, 2013 was $37,825.

In performing the impairment analysis for franchise rights acquired, the fair value for the Company s franchise rights acquired is estimated using a discounted cash flow approach referred to as the hypothetical start-up approach. The estimated fair value is then compared to the carrying value of the unit of accounting for those franchise rights. The Company has determined the appropriate unit of account for purposes of assessing annual impairment to be the country in which the acquisitions have occurred. The values of these franchise rights in the United States, Canada, United Kingdom, Australia/New Zealand and other countries at December 28, 2013 were $697,334, $110,346, $14,401, $13,740 and $1,014, respectively, totaling $836,835.

When determining fair value, the Company utilizes various assumptions, including projections of future cash flows, growth rates and discount rates. A change in these underlying assumptions will cause a change in the results of the tests and, as such, could cause fair value to be less than the carrying amounts. In the event such a decrease occurred, the Company would be required to record a corresponding charge, which would impact earnings. The Company would also be required to reduce the carrying amounts of the related assets on its balance sheet. The Company continues to evaluate these estimates and assumptions and believes that these assumptions are appropriate.

In performing the impairment analysis for the fiscal year ended December 28, 2013, the Company determined that, based on the fair values calculated, the carrying amounts of the franchise rights acquired related to its Mexico and Hong Kong operations exceeded their respective fair values as of the end of fiscal 2013 and

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

recorded impairment charges of $935 and $231, respectively, for such rights. The Company determined that the carrying amounts of the remainder of these assets did not exceed their respective fair values, and therefore, no other impairment existed.

The Company expenses all software costs (including website development costs) incurred during the preliminary project stage and capitalizes all internal and external direct costs of materials and services consumed in developing software (including website development costs), once the development has reached the application development stage. Application development stage costs generally include software configuration, coding, installation to hardware and testing. These costs are amortized over their estimated useful life of 3 years for website development costs and from 3 to 5 years for all other software costs. All costs incurred for upgrades, maintenance and enhancements, including the cost of website content, which do not result in additional functionality, are expensed as incurred.

Revenue Recognition:

WWI earns revenue by conducting meetings, selling products in its meetings and to its franchisees, collecting commissions from franchisees, collecting royalties related to licensing agreements and selling advertising space in and copies of its magazines. Monthly Pass, prepaid meeting fees and magazine subscription revenue is recorded to deferred revenue and amortized into revenue over the period earned. Revenue from pay-as-you-go meeting fees, product sales, commissions and royalties is recognized when services are rendered, products are shipped to customers and title and risk of loss pass to the customers, and commissions and royalties are earned, respectively. Advertising revenue is recognized when advertisements are published. Revenue from magazine sales is recognized when the magazine is sent to the customer. WWI charges non-refundable registration fees in exchange for an introductory information session and materials it provides to new members in its meetings business. Revenue from these registration fees is recognized when the service and products are provided, which is generally at the same time payment is received from the customer. Discounts to customers, including free registration offers, are recorded as a deduction from gross revenue in the period such revenue was recognized.

WW.com primarily generates revenue from monthly subscriptions for its Internet subscription products as well as Online advertising. Subscription fee revenues are recognized over the period that products are provided. One-time sign-up fees are deferred and recognized over the expected customer relationship period. Subscription fee revenues that are paid in advance are deferred and recognized on a straight-line basis over the subscription period. Online advertising revenue is recognized when the advertisement is viewed by the user of the website.

The Company grants refunds in aggregate amounts that historically have not been material. Because the period of payment of the refund generally approximates the period revenue was originally recognized, refunds are recorded as a reduction of revenue when paid.

Advertising Costs:

Advertising costs consist primarily of television and digital media. All costs related to advertising are expensed in the period incurred, except for media production related costs, which are expensed the first time the advertising takes place. Total advertising expenses for the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011 were $274,160, $334,422 and $283,674, respectively.

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Income Taxes:

Deferred income tax assets and liabilities result primarily from temporary differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which differences are expected to reverse. If it is more likely than not that some portion of a deferred tax asset will not be realized, a valuation allowance is recognized. The Company considers historic levels of income, estimates of future taxable income and feasible tax planning strategies in assessing the need for a tax valuation allowance.

The Company recognizes a benefit for uncertain tax positions when a tax position taken or expected to be taken in a tax return is more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of the provision for income taxes on its consolidated statements of income.

In addition, assets and liabilities acquired in purchase business combinations are assigned their fair values and deferred taxes are provided for lower or higher tax bases.

Derivative Instruments and Hedging:

The Company is exposed to certain risks related to its ongoing business operations, primarily interest rate risk and foreign currency risk. The primary risk managed by using derivative instruments is interest rate risk. Interest rate swaps are entered into to hedge a portion of the cash flow exposure associated with the Company s variable-rate borrowings. The Company does not use any derivative instruments for trading or speculative purposes.

The Company recognizes the fair value of all derivative instruments as either assets or liabilities on the balance sheet. The Company has designated and accounted for interest rate swaps as cash flow hedges of its variable-rate borrowings. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the periods during which the hedged transactions affect earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The fair value of the Company s interest rate swaps is reported in derivative payable and prepaid expenses and other current assets on its balance sheet. See Note 15 for a further discussion regarding the fair value of the Company s interest rate swaps. The net effect of the interest payable and receivable under the Company s interest rate swaps is included in interest expense on the statement of income.

Investments:

The Company uses the cost method to account for investments in which it holds 20% or less of the investee s voting stock and over which it does not have significant influence.

Deferred Financing Costs:

Deferred financing costs consist of fees paid by the Company as part of the establishment, exchange and/or modification of the Company s long-term debt. During the fiscal year ended December 28, 2013, the Company incurred fees of $44,817 associated with the refinancing of the WWI Credit Facility (as defined in Note 6). The Company wrote-off fees in connection with this refinancing which resulted in the Company recording a charge of $21,685 in early extinguishment of debt. During the fiscal year ended December 29, 2012, the Company

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

incurred deferred financing costs of $26,248 associated with the Tender Offer (as defined in Note 7). The Company wrote-off fees in connection with the Tender Offer which resulted in the Company recording a charge of $1,328 in early extinguishment of debt. During the fiscal year ended January 1, 2011, the Company incurred deferred financing costs of $11,483 associated with the refinancing of the Company s then existing credit facilities. Such costs are being amortized using the straight-line method over the term of the related debt. Amortization expense for the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011 was $7,672, $7,070 and $4,825, respectively.

Accumulated Other Comprehensive Income:

The Company s accumulated other comprehensive income includes net income, changes in the fair value of derivative instruments and the effects of foreign currency translations. At December 28, 2013 and December 29, 2012, the cumulative balance of changes in fair value of derivative instruments, net of taxes, was $(4,603) and $(6,602), respectively. At December 28, 2013 and December 29, 2012, the cumulative balance of the effects of foreign currency translations, net of taxes, was $13,120 and $19,461, respectively.

Reclassification:

Certain prior year amounts have been reclassified to conform to the current year presentation.

3. Acquisitions of Franchisees and Minority Equity Interest in China Joint Venture

Acquisitions of Franchisees

The acquisitions of franchisees have been accounted for under the purchase method of accounting and, accordingly, earnings of acquired franchisees have been included in the consolidated operating results of the Company since the applicable date of acquisition. During fiscal 2013 and fiscal 2012, the Company acquired certain assets of its franchisees as outlined below. There were no key franchise acquisitions in fiscal 2011.

On September 10, 2012, the Company acquired substantially all of the assets of its Southeastern Ontario and Ottawa, Canada franchisee, Slengora Limited, for a net purchase price of $16,755 plus assumed liabilities of $245. The total purchase price has been allocated to franchise rights acquired ($9,871), goodwill ($6,779), customer relationship value ($180), fixed assets ($81), inventory ($66) and prepaid expenses ($23).

On November 2, 2012, the Company acquired substantially all of the assets of its Adirondacks franchisee, Weight Watchers of the Adirondacks, Inc., for a purchase price of $3,400. The total purchase price has been allocated to franchise rights acquired ($2,216), goodwill ($1,156), customer relationship value ($37), inventory ($29) and prepaid expenses ($10) offset by deferred revenue of $48.

On December 20, 2012, the Company acquired substantially all of the assets of its Memphis, Tennessee franchisee, Weight Watchers of the Mid-South, Inc., for a purchase price of $10,000. The total purchase price has been allocated to franchise rights acquired ($8,396), goodwill ($1,461), customer relationship value ($209), inventory ($35), receivables ($9) and fixed assets ($4) offset by deferred revenue of $114.

On March 4, 2013, the Company acquired substantially all of the assets of its Alberta and Saskatchewan, Canada franchisees, Weight Watchers of Alberta Ltd. and Weight Watchers of Saskatchewan Ltd., for an aggregate purchase price of $35,000. The total purchase price has been allocated to franchise rights acquired ($30,633), goodwill ($4,626), customer relationship value ($473), inventory ($218), fixed assets ($182) and prepaid expenses ($3) offset by deferred revenue of $1,135.

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On July 15, 2013, the Company acquired substantially all of the assets of its West Virginia franchisee, Weight Watchers of West Virginia, Inc., for a net purchase price of $16,028 less assumed assets, plus assumed liabilities, net of $28. The total purchase price has been allocated to franchise rights acquired ($10,131), goodwill ($5,212), customer relationship value ($448) and fixed assets ($209).

On July 22, 2013, the Company acquired substantially all of the assets of its Columbus, Ohio franchisee, Weight Watchers of Columbus, Inc., for a net purchase price of $23,357 plus assumed liabilities of $143 and its Reno, Nevada franchisee, Weight Watchers of Northern Nevada, Inc., for a net purchase price of $3,969 plus assumed liabilities of $31. The aggregate total purchase price has been allocated to franchise rights acquired ($19,643), goodwill ($7,220), customer relationship value ($494), fixed assets ($116) and inventory ($27).

On October 28, 2013, the Company acquired substantially all of the assets of its Manitoba, Canada franchisee, Weight Watchers of Manitoba Ltd., for a net purchase price of $5,197 plus assumed liabilities of $28 and its Franklin and St. Lawrence Counties, New York franchisee, Weight Watchers of Franklin and St. Lawrence Counties Inc., for a net purchase price of $274 plus assumed liabilities of $1. The total purchase price of the Manitoba, Canada franchisee has been preliminarily allocated to franchise rights acquired ($4,525), goodwill ($449), customer relationship value ($249), inventory ($1) and prepaid expenses ($1). The total purchase price of the Franklin and St. Lawrence Counties, New York franchisee has been preliminarily allocated to franchise rights acquired ($238), goodwill ($23), customer relationship value ($13) and prepaid expenses ($1).

The weighted-average amortization period of the customer relationships acquired in the above acquisitions was approximately 15 weeks. Due to the short-term nature of this asset, its estimated fair value has been recorded as a component of prepaid expenses and other current assets. The acquisitions resulted in goodwill related to, among other things, expected synergies in operations. The goodwill recorded in connection with these acquisitions represents the intangible assets that did not qualify for separate recognition in the financial statements. The Company expects that $16,953 of the total $17,530 of goodwill recorded in connection with the above acquisitions will be deductible for tax purposes. The effect of these franchise acquisitions was not material to the Company s consolidated financial position, results of operations, or operating cash flows in the periods presented.

Acquisition of Minority Equity Interest in China Joint Venture

On February 5, 2008, Weight Watchers Asia Holdings Ltd. (Weight Watchers Asia), a direct, wholly-owned subsidiary of the Company, and Danone Dairy Asia (Danone Asia), an indirect, wholly-owned subsidiary of Groupe DANONE S.A., entered into a joint venture agreement to establish a weight management business in the People s Republic of China. Pursuant to the terms of the joint venture agreement, Weight Watchers Asia and Danone Asia owned 51% and 49%, respectively, of the joint venture entity, Weight Watchers China Limited (together with all of its businesses, the China Joint Venture). Because the Company had a direct controlling financial interest in the China Joint Venture, it consolidated the entity from the first quarter of fiscal 2008.

On April 27, 2011, Weight Watchers Asia entered into a share purchase agreement with Danone Asia, pursuant to which Weight Watchers Asia acquired Danone Asia s 49% minority equity interest in the China Joint Venture as of that date for consideration of $1. Effective April 27, 2011, the date of the acquisition of Danone Asia s minority equity interest by Weight Watchers Asia, the Company owns 100% of the China Joint Venture and no longer accounts for a non-controlling interest in the China Joint Venture. The noncontrolling interest that had been reflected on the Company s balance sheet was reclassified to retained earnings.

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On December 12, 2013, the Company made a strategic decision to shut down its China operations. As a result of this decision, the Company incurred a charge of $2,500 related to severance and the impairment of property, plant and equipment and amortizable intangible assets.

4. Franchise Rights Acquired, Goodwill and Other Intangible Assets

The Company performed its annual impairment review of goodwill and other indefinite-lived intangible assets as of December 28, 2013 and December 29, 2012. As a result of this review, the Company recorded a $1,166 franchise rights acquired impairment charge related to its Mexico and Hong Kong operations in fiscal 2013 and determined that no impairment existed in fiscal 2012. Franchise rights acquired are due to acquisitions of the Company s franchised territories. The franchise rights acquired allocated to the WW.com reporting segment relate to the acquisition of franchise promotion agreements and other factors associated with the acquired franchise territories. For the year ended December 28, 2013, the change in the carrying value of franchise rights acquired is due to the Company s acquisitions of certain of its franchisees during fiscal 2013, as described in Note 3, the impairment charge noted above and the effect of exchange rate changes as follows:

	WWI Segment	WW.com Segment	Total
Balance as of December 29, 2012	$ 774,514	$ 9,181	$ 783,695
Franchise rights acquired during the year	34,501	30,669	65,170
Impairment charge	(1,166)	0	(1,166)
Effect of exchange rate changes	(9,703)	(1,161)	(10,864)
Balance as of December 28, 2013	$ 798,146	$ 38,689	$ 836,835

Goodwill is due to the acquisition of the Company by H.J. Heinz Company (Heinz) in 1978, the acquisition of WW.com in 2005 and the acquisitions of the Company s franchised territories. For the year ended December 28, 2013, the change in the carrying amount of goodwill is due to the Company s acquisitions of certain of its franchisees during fiscal 2013, as described in Note 3, and the effect of exchange rate changes as follows:

	WWI Segment	WW.com Segment	Total
Balance as of December 29, 2012	$ 32,033	$ 30,693	$ 62,726
Goodwill acquired during the year	9,998	7,532	17,530
Effect of exchange rate changes	(562)	(400)	(962)
Balance as of December 28, 2013	$ 41,469	$ 37,825	$ 79,294

Aggregate amortization expense for finite-lived intangible assets was recorded in the amounts of $24,562, $17,796, and $16,545 for the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively.

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The carrying amount of finite-lived intangible assets as of December 28, 2013 and December 29, 2012 was as follows:

	December 28, 2013		December 29, 2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Capitalized software costs	$ 85,095	$ 62,418	$ 86,857	$ 54,134
Trademarks	10,691	9,955	10,342	9,615
Website development costs	69,660	48,060	57,042	38,357
Other	7,021	6,737	7,034	6,689
	$ 172,467	$ 127,170	$ 161,275	$ 108,795

As described in Note 2, in fiscal 2013, the Company recorded an impairment charge of $1,235 for amortizable intangible assets related to the shutdown of its China operations and an impairment charge of $2,653 related to internal-use computer software that was not expected to provide substantive service potential.

Estimated amortization expense of existing finite-lived intangible assets for the next five fiscal years is as follows:

2014	$ 20,841
2015	$ 14,997
2016	$ 7,593
2017	$ 1,765
2018 and thereafter	$ 101

5. Property and Equipment

The components of property and equipment were:

	December 28, 2013	December 29, 2012
Equipment	$ 123,210	$ 113,301
Leasehold improvements	77,771	70,229
	200,981	183,530
Less: Accumulated depreciation and amortization	(113,929)	(111,762)
	$ 87,052	$ 71,768

As described in Note 2, in fiscal 2013, the Company commenced the shutdown of its China operations and, as a result, recorded an impairment charge of $372 related to property, plant and equipment.

Depreciation and amortization expense of property and equipment for the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011 was $20,342, $18,844 and $14,450, respectively.

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6. Long-Term Debt

The components of the Company s long-term debt were as follows:

	December 28, 2013		December 29, 2012	
	Balance	Effective Rate	Balance	Effective Rate
Revolving Facility due April 2, 2018	$ 0	0.00%	$ 0	0.00%
Tranche B-1 Term Facility due April 2, 2016	298,500	2.97%	0	0.00%
Tranche B-2 Term Facility due April 2, 2020	2,089,500	3.75%	0	0.00%
Revolver A-1 due June 30, 2014	0	0.00%	6,374	3.12%
Revolver A-2 due March 15, 2017	0	0.00%	23,626	2.56%
Term A-1 Loan due January 26, 2013	0	0.00%	38,226	1.53%
Term B Loan due January 26, 2014	0	0.00%	129,445	1.90%
Term C Loan due June 30, 2015	0	0.00%	113,808	2.72%
Term D Loan due June 30, 2016	0	0.00%	118,217	2.77%
Term E Loan due March 15, 2017	0	0.00%	1,154,651	2.53%
Term F Loan due March 15, 2019	0	0.00%	822,017	3.92%
Total Debt	2,388,000	3.49%	2,406,364	2.91%
Less Current Portion	30,000		114,695	
Total Long-Term Debt	$ 2,358,000		$ 2,291,669	

The Company s credit facilities at the end of the first quarter of fiscal 2013 consisted of the following term loan facilities and revolving credit facilities: a tranche A-1 loan (Term A-1 Loan), a tranche B loan (Term B Loan), a tranche C loan (Term C Loan), a tranche D loan (Term D Loan), a tranche E loan (Term E Loan), a tranche F loan (Term F Loan), revolving credit facility A-1 (Revolver A-1) and revolving credit facility A-2 (Revolver A-2).

On April 2, 2013, the Company refinanced its credit facilities pursuant to a Credit Agreement (the New Credit Agreement) among the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent and an issuing bank, The Bank of Nova Scotia, as revolving agent, swingline lender and an issuing bank, and the other parties thereto. The New Credit Agreement provides for (a) a revolving credit facility (including swing line loans and letters of credit) in an initial aggregate principal amount of $250,000 that will mature on April 2, 2018 (the Revolving Facility), (b) an initial term B-1 loan credit facility in an aggregate principal amount of $300,000 that will mature on April 2, 2016 (the Tranche B-1 Term Facility) and (c) an initial term B-2 loan credit facility in an aggregate principal amount of $2,100,000 that will mature on April 2, 2020 (the Tranche B-2 Term Facility , and together with the Tranche B-1 Term Facility, the Term Facilities ; the Term Facilities and Revolving Facility collectively, the WWI Credit Facility). In connection with this refinancing, the Company used the proceeds from borrowings under the Term Facilities to pay off a total of $2,399,904 of outstanding loans, consisting of $128,759 of Term B Loans, $110,602 of Term C Loans, $117,612 of Term D Loans, $1,125,044 of Term E Loans, $817,887 of Term F Loans, $21,247 of loans under the Revolver A-1 and $78,753 of loans under the Revolver A-2. Following the refinancing of a total of $2,399,904 of loans, at April 2, 2013, the Company had $2,400,000 debt outstanding under the Term Facilities and $248,848 of availability under the Revolving Facility. The Company incurred fees of $44,817 during the second quarter of fiscal 2013 in connection with this refinancing. In the second quarter of fiscal 2013, the Company wrote-off fees associated with this refinancing which resulted in the Company recording a charge of $21,685 in early extinguishment of debt.

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At December 28, 2013, the Company had $2,388,000 outstanding under the WWI Credit Facility, consisting entirely of term loans and there were no loans outstanding under the Revolving Facility. In addition, at December 28, 2013, the Revolving Facility had $1,554 in issued but undrawn letters of credit outstanding thereunder and $248,446 in available unused commitments thereunder. The proceeds from borrowings under the Revolving Facility (including swing line loans and letters of credit) will be used for working capital and general corporate purposes.

Borrowings under the New Credit Agreement bear interest at a rate equal to, at the Company s option, LIBOR plus an applicable margin or a base rate plus an applicable margin. LIBOR under the Tranche B-2 Term Facility is subject to a minimum interest rate of 0.75% and the base rate under the Tranche B-2 Term Facility is subject to a minimum interest rate of 1.75%. The applicable margin relating to both of the Term Facilities will increase by 25 basis points in the event that the Company receives a corporate rating of BB- (or lower) from S&P and a corporate rating of Ba3 (or lower) from Moody s. The applicable margin relating to the Revolving Facility will fluctuate depending upon the Company s Consolidated Leverage Ratio (as defined in the New Credit Agreement). At December 28, 2013, borrowings under the Tranche B-1 Term Facility bore interest at LIBOR plus an applicable margin of 2.75% and borrowings under the Tranche B-2 Term Facility bore interest at LIBOR plus an applicable margin of 3.00%. At the Company s Consolidated Leverage Ratio as of December 28, 2013, had there been any borrowings under the Revolving Facility, it would have borne interest at LIBOR plus an applicable margin of 2.25% or base rate plus an applicable margin of 1.25%. On a quarterly basis, the Company will pay a commitment fee to the lenders under the Revolving Facility in respect of unutilized commitments thereunder, which commitment fee will fluctuate depending upon the Company s Consolidated Leverage Ratio. At the Company s Consolidated Leverage Ratio as of December 28, 2013, the commitment fee was 0.40% per annum. The Company also will pay customary letter of credit fees and fronting fees under the Revolving Facility.

The New Credit Agreement contains customary covenants including covenants that, in certain circumstances, restrict the Company s ability to incur additional indebtedness, pay dividends on and redeem capital stock, make other payments, including investments, sell its assets and enter into consolidations, mergers and transfers of all or substantially all of its assets. The Revolving Facility requires the Company to not exceed a specified Consolidated Leverage Ratio, but only if borrowings under the Revolving Facility exceed 20.0% of revolving commitments as of the end of such fiscal quarter. As of December 28, 2013, borrowings in excess of $50,000 would require us to not exceed such ratio. As of December 28, 2013, there were no borrowings under our Revolving Facility and total letters of credit issued were $1,554. The Term Facilities do not require the Company to maintain any financial ratios. The WWI Credit Facility is guaranteed by certain of the Company s existing and future subsidiaries. Substantially all of the Company s assets secure the WWI Credit Facility.

At December 28, 2013 and December 29, 2012, the Company s debt consisted entirely of variable-rate instruments. Interest rate swaps were entered into to hedge a portion of the cash flow exposure associated with the Company s variable-rate borrowings. The average interest rate on the Company s debt, exclusive of the impact of swaps, was approximately 3.65% and 2.99% per annum at December 28, 2013 and December 29, 2012, respectively. The average interest rate on our debt, including the impact of swaps, was approximately 4.08% and 3.50% per annum at December 28, 2013 and December 29, 2012, respectively.

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Maturities

At December 28, 2013, the aggregate amounts of the Company s existing long-term debt maturing in each of the next five fiscal years and thereafter are as follows:

2014	$ 30,000
2015	24,000
2016	307,500
2017	21,000
2018	21,000
Thereafter	1,984,500
	$ 2,388,000

7. Treasury Stock

On February 23, 2012, the Company commenced a modified Dutch auction tender offer for up to $720,000 in value of its common stock at a purchase price not less than $72.00 and not greater than $83.00 per share (the Tender Offer). Prior to the Tender Offer, on February 14, 2012, the Company entered into an agreement (the Purchase Agreement) with Artal Holdings Sp. z o.o., Succursale de Luxembourg (Artal Holdings) (the then-current record holder of all of the Company s shares owned by Artal Group, S.A. and its affiliates) whereby Artal Holdings agreed to sell to the Company, at the same price as was determined in the Tender Offer, such number of its shares of the Company s common stock that, upon the closing of this purchase after the completion of the Tender Offer, Artal Holdings percentage ownership in the outstanding shares of the Company s common stock would be substantially equal to its level prior to the Tender Offer. Artal Holdings also agreed not to participate in the Tender Offer so that it would not affect the determination of the purchase price of the shares in the Tender Offer.

The Tender Offer expired at midnight, New York time, on March 22, 2012, and on March 28, 2012 the Company repurchased 8,780 shares at a purchase price of $82.00 per share. On April 9, 2012, the Company repurchased 9,499 of Artal Holdings shares at a purchase price of $82.00 per share pursuant to the Purchase Agreement. In March 2012, the Company amended and extended the WWI Credit Facility to finance these repurchases. See Note 6.

On October 9, 2003, the Company s Board of Directors authorized and the Company announced a program to repurchase up to $250,000 of the Company s outstanding common stock. On each of June 13, 2005, May 25, 2006 and October 21, 2010, the Company s Board of Directors authorized and the Company announced adding $250,000 to the program. The repurchase program allows for shares to be purchased from time to time in the open market or through privately negotiated transactions. No shares will be purchased from Artal Holdings and its parents and subsidiaries under the program. The repurchase program currently has no expiration date.

During the fiscal years ended December 28, 2013 and December 29, 2012, the Company purchased no shares of its common stock in the open market under the repurchase program. During the fiscal year ended December 31, 2011, the Company purchased 814 shares of its common stock in the open market under the repurchase program for a total cost of $31,550. The repurchase of shares of common stock under the Tender Offer and from Artal Holdings pursuant to the Purchase Agreement was not made pursuant to the Company s existing repurchase program.

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8. Earnings Per Share

Basic earnings per share (EPS) are calculated utilizing the weighted average number of common shares outstanding during the periods presented. Diluted EPS is calculated utilizing the weighted average number of common shares outstanding during the periods presented adjusted for the effect of dilutive common stock equivalents.

The following table sets forth the computation of basic and diluted EPS for the fiscal years ended:

	December 28, 2013	December 29, 2012	December 31, 2011
Numerator:			
Net income attributable to Weight Watchers International, Inc.	$ 204,725	$ 257,426	$ 304,867
Denominator:			
Weighted average shares of common stock outstanding	56,144	60,294	73,344
Effect of dilutive common stock equivalents	250	629	787
Weighted average diluted common shares outstanding	56,394	60,923	74,131
EPS attributable to Weight Watchers International, Inc.			
Basic	$ 3.65	$ 4.27	$ 4.16
Diluted	$ 3.63	$ 4.23	$ 4.11

The number of anti-dilutive common stock equivalents excluded from the calculation of the weighted average number of common shares for diluted EPS was 1,285, 536 and 188 for the years ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively.

9. Stock Plans

Incentive Compensation Plans

On May 6, 2008 and May 12, 2004, respectively, the Company s shareholders approved the 2008 Stock Incentive Plan (the 2008 Plan) and the 2004 Stock Incentive Plan (the 2004 Plan and together with the 2008 Plan, the Stock Plans). These plans are designed to promote the long-term financial interests and growth of the Company by attracting, motivating and retaining employees with the ability to contribute to the success of the business and to align compensation for the Company s employees over a multi-year period directly with the interests of the shareholders of the Company. The Company s Board of Directors or a committee thereof administers the Stock Plans.

Under the 2008 Plan, grants may take the following forms at the Compensation and Benefit Committee s discretion: non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock units (RSUs), restricted stock and other share-based awards. As of its effective date, the maximum number of shares of common stock available for grant under the 2008 Plan was 3,000, subject to increase and adjustment as set forth in the 2008 Plan. Pursuant to the terms of the 2008 Plan, the number of shares of our common stock available for issuance under the 2008 Plan was increased by 550, the remaining number of shares of our common stock with respect to which awards could be granted under the Company s 1999 Stock Purchase and Option Plan upon its termination.

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Under the 2004 Plan, grants may take the following forms at the Company s Board of Directors or its committee s sole discretion: non-qualified stock options, incentive stock options, stock appreciation rights, RSUs, restricted stock and other share-based awards. As of its effective date, the maximum number of shares of common stock available for grant under the 2004 Plan was 2,500.

Under the Stock Plans, the Company also grants fully-vested shares of its common stock to certain members of its Board of Directors. While these shares are fully vested, beginning with stock grants made in the fourth quarter of 2006, the directors are restricted from selling these shares while they are still serving on the Company s Board of Directors. During the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011, the Company granted 14, 13, and 13 fully-vested shares, respectively, and recognized compensation expense of $524, $707 and $772, respectively.

The Company issues common stock for share-based compensation awards from treasury stock. The total compensation cost that has been charged against income for these plans was $4,255, $8,845 and $9,067 for the years ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively. Such amounts have been included as a component of selling, general and administrative expenses. The total income tax benefit recognized in the income statement for all share-based compensation arrangements was $1,174, $2,742 and $2,895 for the years ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively. The tax benefits realized from options exercised and RSUs vested totaled $4,217, $5,847 and $11,309 for the years ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively. No compensation costs were capitalized. As of December 28, 2013, there was $24,881 of total unrecognized compensation cost related to stock options and RSUs granted under the Stock Plans. That cost is expected to be recognized over a weighted-average period of approximately 2.5 years.

While the Stock Plans permit various types of awards, other than the aforementioned shares issued to directors, grants under the plans have historically been either non-qualified stock options or RSUs. In fiscal 2013, the Company also granted special performance-based stock option awards. The following describes some further details of these awards.

Stock Option Awards

Option Awards with Time Vesting Criteria

Pursuant to the option components of the Stock Plans, the Company s Board of Directors authorized the Company to enter into agreements under which certain employees received stock options with time vesting criteria (Time Vesting Options). The options are exercisable based on the terms outlined in the agreements. Time Vesting Options outstanding at December 28, 2013 vest over a period of three to five years and the expiration term is ten years. Time Vesting Options outstanding at December 28, 2013 have an exercise price between $19.74 and $79.55 per share.

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The fair value of each of these option awards is estimated on the date of grant using the Black-Scholes option pricing model with the weighted average assumptions noted in the following table. Expected volatility is based on the historical volatility of the Company s stock. Since the Company s option exercise history is limited, it has estimated the expected term of these option grants to be the midpoint between the vesting period and the contractual term of each award. The risk free interest rate is based on the U.S. Treasury yield curve in effect on the date of grant which most closely corresponds to the expected term of the Time Vesting Options. The dividend yield is based on our historic average dividend yield. For Time Vesting Options granted in the fourth quarter of fiscal 2013, the dividend yield is zero because there is no longer a dividend.

	December 28, 2013	December 29, 2012	December 31, 2011
Dividend yield	0.8%	1.6%	1.8%
Volatility	36.5%	35.5%	33.6%
Risk-free interest rate	1.3% - 2.2%	1.0% - 1.4%	1.5% - 2.8%
Expected term (years)	6.5	6.5	6.5

<u>Option Awards with Time and Performance Vesting Criteria</u>

Pursuant to the option components of the Stock Plans, the Company s Board of Directors authorized the Company to enter into agreements under which certain employees received stock options with both time and performance vesting criteria (T&P Vesting Options). The options are exercisable based on the terms outlined in the agreements. During the fourth quarter of fiscal 2013, the Company granted 686,549 T&P Vesting Options to certain employees that will vest based on the achievement of both time and performance vesting criteria. The time-vesting criteria will be 100% satisfied on the third anniversary of the date of the grant and the performance criteria is contingent upon meeting or exceeding certain stock price hurdles. With respect to the performance-vesting criteria, the stock options will fully vest in 20% increments upon the first date that the average closing stock price for the 20 consecutive preceding trading days is equal to or greater than specified stock price hurdles. The fair value of the T&P Vesting Options was estimated on the date of grant and was based on the likelihood of the Company achieving the performance conditions. The Company estimated the fair value of the T&P Vesting Options to be $8.46. The Company estimated this fair value using a Monte Carlo simulation that used various assumptions that included expected volatility of 36.48%, a risk free rate of 1.55% and an expected term of 3.0 years. Expected volatility was based on the historical volatility of the Company s stock. The risk-free interest rate was based on the U.S. Treasury yield curve in effect on the date of grant which most closely corresponds to the performance measurement period. The expected term represents the period from the grant date to the end of the five year performance period. Compensation expense on T&P Vesting Options is recognized ratably over the three year required service period as this period is longer than the derived service period calculated by the Monte Carlo simulation.

A summary of all option activity under the Stock Plans for the year ended December 28, 2013 is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Yrs.)	Aggregate Intrinsic Value
Outstanding at December 29, 2012	2,239	$ 42.75		
Granted	1,551	$ 36.35		
Exercised	(620)	$ 26.09		
Canceled	(957)	$ 51.62		
Outstanding at December 28, 2013	2,213	$ 39.09	7.2	$ 2,372

Exercisable at December 28, 2013	362	$	32.03	5.5	$	2,166

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The weighted-average grant-date fair value of all options granted was $11.37, $16.60 and $20.44 for the years ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively. The total intrinsic value of Time Vesting Options exercised was $9,858, $12,734 and $27,808 for the years ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively.

Cash received from Time Vesting Options exercised during the years ended December 28, 2013, December 29, 2012 and December 31, 2011 was $16,187, $12,688 and $42,040, respectively.

Restricted Stock Units

Pursuant to the restricted stock components of the Stock Plans, the Company s Board of Directors authorized the Company to enter into agreements under which certain employees received RSUs. The RSUs are exercisable based on the terms outlined in the agreements. The RSUs vest over a period of three to five years. The fair value of RSUs is determined using the closing market price of the Company s common stock on the date of grant. A summary of RSU activity under the Stock Plans for the year ended December 28, 2013 is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at December 29, 2012	246	$ 50.67
Granted	155	$ 38.40
Vested	(63)	$ 27.08
Forfeited	(85)	$ 56.23
Outstanding at December 28, 2013	253	$ 47.11

The weighted-average grant-date fair value of RSUs granted was $38.40, $55.54 and $64.32 for the years ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively. The total fair value of RSUs vested during the years ended December 28, 2013, December 29, 2012 and December 31, 2011 was $1,705, $5,536 and $3,657, respectively.

10. Income Taxes

The following tables summarize the Company s consolidated provision for US federal, state and foreign taxes on income:

	December 28, 2013	December 29, 2012	December 31, 2011
Current:			
US federal	$ 60,556	$ 99,437	$ 121,860
State	9,583	12,719	18,298
Foreign	25,121	20,614	13,299
	$ 95,260	$ 132,770	$ 153,457

Deferred:			
US federal	$ 31,801	$ 23,002	$ 23,410
State	3,634	2,629	2,675
Foreign	(55)	1,134	(794)
	$ 35,380	$ 26,765	$ 25,291
Total tax provision	$ 130,640	$ 159,535	$ 178,748

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The components of the Company s consolidated income before income taxes consist of the following:

	December 28, 2013	December 29, 2012	December 31, 2011
Domestic	$ 255,183	$ 337,321	$ 400,310
Foreign	80,182	79,640	82,782
	$ 335,365	$ 416,961	$ 483,092

The difference between the US federal statutory tax rate and the Company s consolidated effective tax rate are as follows:

	December 28, 2013	December 29, 2012	December 31, 2011
US federal statutory rate	35.0%	35.0%	35.0%
Federal and state tax reserve provision	(0.1)	0.2	(0.6)
States income taxes (net of federal benefit)	2.7	2.6	3.0
Foreign taxes	0.3	(0.3)	(0.4)
Increase in valuation allowance	0.9	0.7	0.5
Loss on closure of Finland	0.0	0.0	(0.8)
Other	0.2	0.1	0.3
Effective tax rate	39.0%	38.3%	37.0%

The deferred tax assets and liabilities recorded on the Company s consolidated balance sheets are as follows:

	December 28, 2013	December 29, 2012
Provision for estimated expenses	$ 8,593	$ 8,561
Operating loss carryforwards	40,587	34,714
Salaries and wages	6,238	4,522
Share-based compensation	4,705	6,958
Other	6,562	6,336
Less: valuation allowance	(36,372)	(31,015)
Total deferred tax assets	$ 30,313	$ 30,076
Depreciation	$ (6,381)	$ (2,844)
Other comprehensive income	(5,446)	(8,180)
Other	(1,046)	0
Amortization	(157,047)	(126,726)

Total deferred tax liabilities	$ (169,920)	$ (137,750)
Net deferred tax liabilities	$ (139,607)	$ (107,674)

Certain foreign operations of the Company have generated net operating loss carryforwards. If it has been determined that it is more likely than not that the deferred tax assets associated with these net operating loss carryforwards will not be utilized, a valuation allowance has been recorded. As of December 28, 2013 and December 29, 2012, various foreign subsidiaries had net operating loss carryforwards of approximately $148,107 and $126,219, respectively, most of which can be carried forward indefinitely.

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The Company s undistributed earnings of foreign subsidiaries are not considered to be reinvested permanently. Accordingly, the Company has recorded all taxes, after taking into account foreign tax credits, on the undistributed earnings of foreign subsidiaries.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	December 28, 2013	December 29, 2012	December 31, 2011
Balance at beginning of year	$ 5,319	$ 5,040	$ 15,794
Additions based on tax positions related to the current year	1,428	1,647	1,537
Additions based on tax positions of prior years	0	0	0
Reductions for tax positions of prior years	(963)	(1,219)	(11,901)
Settlements	0	(149)	(390)
Balance at end of year	$ 5,784	$ 5,319	$ 5,040

At December 28, 2013, the total amount of unrecognized tax benefits that, if recognized, would affect our effective tax rate is $4,824. As of December 28, 2013, given the nature of the Company s uncertain tax positions, it is reasonably possible that there will not be a significant change in the Company s uncertain tax benefits within the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. The Company had $2,217 and $3,405 of accrued interest and penalties at December 28, 2013 and December 29, 2012, respectively. The Company recognized $(1,188), $823 and $(256) in interest and penalties during the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively.

The Company or one of its subsidiaries files income tax returns in the US federal jurisdiction, and various state and foreign jurisdictions. At December 28, 2013, with few exceptions, the Company was no longer subject to US federal, state or local income tax examinations by tax authorities for years prior to 2010, or non-US income tax examinations by tax authorities for years prior to 2004.

11. Employee Benefit Plans

The Company sponsors the Second Amended and Restated Weight Watchers Savings Plan (the Savings Plan) for salaried and certain hourly US employees of the Company. The Savings Plan is a defined contribution plan that provides for employer matching contributions of 100% of the employee s tax deferred contributions up to 3% of an employee s eligible compensation. Expense related to these contributions for the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011 was $2,888, $2,730 and $2,466, respectively.

During fiscal 2011, the Company received a favorable determination letter from the IRS that qualifies the Savings Plan under Section 401(a) of the Internal Revenue Code.

Pursuant to the Savings Plan, the Company also makes profit sharing contributions for all full-time salaried US employees who are eligible to participate in the Savings Plan (except for certain management personnel). The profit sharing contribution is a guaranteed monthly employer contribution on behalf of each participant based on the participant s age and a percentage of the participant s eligible compensation. The Savings Plan also has a discretionary supplemental profit sharing employer contribution component that is determined annually by the Compensation and Benefits Committee of the Company s Board of Directors. Expense related to these contributions for the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011 was $1,658, $2,779 and $3,704, respectively.

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For certain US management personnel, the Company sponsors the Second Amended and Restated Weight Watchers Executive Profit Sharing Plan (EPSP). Under the IRS definition, the EPSP is considered a Nonqualified Deferred Compensation Plan. There is a promise of payment by the Company made on the employees behalf instead of an individual account with a cash balance. The EPSP provides for a guaranteed employer contribution on behalf of each participant based on the participant s age and a percentage of the participant s eligible compensation. The EPSP has a discretionary supplemental employer contribution component that is determined annually by the Compensation and Benefits Committee of the Company s Board of Directors. The account is valued at the end of each fiscal month, based on an annualized interest rate of prime plus 2%, with an annualized cap of 15%. Expense related to this commitment for the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011 was $2,651, $2,954 and $2,369, respectively.

12. Cash Flow Information

	December 28, 2013	December 29, 2012	December 31, 2011
Net cash paid during the year for:			
Interest expense	$ 88,860	$ 68,808	$ 52,591
Income taxes	$ 87,071	$ 133,131	$ 144,925
Noncash investing and financing activities were as follows:			
Fair value of net assets/(liabilities) acquired in connection with acquisitions	$ 175	$ 0	$ 0
Dividends declared but not yet paid at year-end	$ 177	$ 289	$ 13,145

13. Commitments and Contingencies

UK Self-Employment Matter

In July 2007, Her Majesty s Revenue and Customs (HMRC) issued to the Company notices of determination and decisions that, for the period April 2001 to April 2007, its leaders and certain other service providers in the United Kingdom should have been classified as employees for tax purposes and, as such, it should have withheld tax from the leaders and certain other service providers pursuant to the Pay As You Earn (PAYE) and national insurance contributions (NIC) collection rules and remitted such amounts to HMRC. HMRC also issued a claim to the Company in October 2008 in respect of NIC which corresponds to the prior notices of assessment with respect to PAYE previously raised by HMRC.

In September 2007, the Company appealed to the UK First Tier Tribunal (Tax Chamber) (formerly known as the UK VAT and Duties Tribunal and hereinafter referred to as the First Tier Tribunal) against HMRC s notices as to these classifications and against any amount of PAYE and NIC liability claimed to be owed by the Company. In February 2010, the First Tier Tribunal issued a ruling that the Company s UK leaders should have been classified as employees for UK tax purposes and, as such, the Company should have withheld tax from its leaders pursuant to the PAYE and NIC collection rules for the period from April 2001 to April 2007 with respect to services performed by the leaders for the Company. The Company appealed the First Tier Tribunal s adverse ruling to the UK Upper Tribunal (Tax and Chancery Chamber) (the Upper Tribunal), and in October 2011, the Upper Tribunal issued a ruling dismissing the Company s appeal. In January 2012, the Company sought permission from the UK Court of Appeal to appeal the Upper Tribunal s ruling, which the UK Court of Appeal refused in March 2012. In March 2012, the Company applied to the UK Court of Appeal for an oral hearing to seek permission to appeal to the UK Court of Appeal against the Upper Tribunal s ruling. At the hearing in June 2012, the UK Court of Appeal granted the Company permission to appeal. A hearing date for the appeal was set for January 2013.

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In December 2011, HMRC s claim in respect of NIC was amended to increase the claimed amount for the period April 2002 to April 2007 and include the interest accrued thereon through December 2011. In addition, in February 2012, HMRC asserted a claim in respect of PAYE for the period April 2007 to April 2011 similar to what it had claimed for the period April 2001 to April 2007. The Company was granted permission to appeal this PAYE claim with the First Tier Tribunal and the First Tier Tribunal directed that the appeal be stayed until following the decision of the UK Court of Appeal with respect to the Company s appeal of the Upper Tribunal s ruling.

In light of the First Tier Tribunal s adverse ruling and in accordance with accounting guidance for contingencies, the Company recorded in the fourth quarter of fiscal 2009 a reserve for the period from April 2001 through the end of fiscal 2009, inclusive of estimated accrued interest. On a quarterly basis, beginning in the first quarter of fiscal 2010 and through the second quarter of fiscal 2011, the Company recorded a reserve for UK withholding taxes with respect to its UK leaders consistent with this ruling. The reserve at the end of the second quarter of fiscal 2011 equaled approximately $43,671 in the aggregate based on the exchange rates at the end of fiscal 2011. As of the beginning of the third quarter of fiscal 2011, the Company began employing its UK leaders and therefore has ceased recording any further reserves for this matter. In February 2012, the Company paid HMRC, on a without prejudice basis, a portion of the amount previously reserved equal to approximately $30,018 based on the exchange rates at the payment date for estimated amounts claimed to be owed by the Company with respect to PAYE and interest thereon for the period April 2001 to July 2011. In December 2012, the Company reached an agreement with HMRC to settle the matter in its entirety for approximately $36,770. In January 2013, $6,752 was paid to HMRC, representing the balance due over the amount previously paid to HMRC in February 2012. In January 2013, the UK Court of Appeal dismissed the case and the First Tier Tribunal confirmed withdrawal of the Company s appeal against HMRC.

Other Litigation Matters

Due to the nature of the Company s activities, it is also, at times, subject to pending and threatened legal actions that arise out of the ordinary course of business. In the opinion of management, based in part upon advice of legal counsel, the disposition of any such matters is not expected to have a material effect on the Company s results of operations, financial condition or cash flows.

Lease Commitments

Minimum rental commitments under non-cancelable operating leases, primarily for office and rental facilities, at December 28, 2013, consist of the following:

2014	$ 41,095
2015	36,642
2016	30,704
2017	22,076
2018	16,898
2019 and thereafter	118,001
Total	$ 265,416

Total rent expense charged to operations under these leases for the fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011 was $46,300, $40,485 and $36,572, respectively.

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14. Segment and Geographic Data

The Company has two reportable segments: WWI and WW.com. WWI has multiple operating segments which have been aggregated into one reportable segment. WWI and WW.com are two separate and distinct businesses for which discrete financial information is available. This discrete financial information is maintained and managed separately and is reviewed regularly by the chief operating decision maker. All intercompany activity is eliminated in consolidation.

Information about the Company s reportable operating segments is as follows:

	Year Ended December 28, 2013			
	WWI	WW.com	Intercompany Eliminations	Consolidated
Total revenue	$ 1,197,375	$ 526,748	$ 0	$ 1,724,123
Depreciation and amortization	$ 41,468	$ 11,108	$ 0	$ 52,576
Operating income	$ 154,745	$ 306,012	$ 0	$ 460,757
Interest expense				103,108
Other expense, net				599
Early extinguishment of debt				21,685
Provision for taxes				130,640
Net income				$ 204,725
Total assets	$ 1,733,464	$ 776,515	$ (1,101,048)	$ 1,408,931

	Year Ended December 29, 2012			
	WWI	WW.com	Intercompany Eliminations	Consolidated
Total revenue	$ 1,331,916	$ 507,516	$ 0	$ 1,839,432
Depreciation and amortization	$ 34,073	$ 9,637	$ 0	$ 43,710
Operating income	$ 250,335	$ 260,470	$ 0	$ 510,805
Interest expense				90,537
Other expense, net				1,979
Early extinguishment of debt				1,328
Provision for taxes				159,535
Net income				$ 257,426

Total assets	$ 1,539,434	$ 567,478	$ (888,305)	$ 1,218,607

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	Year Ended December 31, 2011			
	WWI	WW.com	Intercompany Eliminations	Consolidated
Total revenue	$ 1,428,690	$ 403,804	$ 0	$ 1,832,494
Depreciation and amortization	$ 25,744	$ 10,076	$ 0	$ 35,820
Operating income	$ 339,963	$ 206,365	$ 0	$ 546,328
Interest expense				59,850
Other income, net				3,386
Provision for taxes				178,748
Net income				$ 304,344
Total assets	$ 1,413,109	$ 392,381	$ (683,862)	$ 1,121,628

The following table presents information about the Company s sources of revenue and other information by geographic area. There were no material amounts of sales or transfers among geographic areas and no material amounts of US export sales.

	Revenues for the Year Ended		
	December 28, 2013	December 29, 2012	December 31, 2011
NACO meeting fees	$ 595,097	$ 653,396	$ 686,758
International Company-owned meeting fees	256,529	281,537	303,538
Product sales	245,319	294,758	334,303
Franchise royalties	9,035	12,732	14,461
Internet revenues	522,226	504,338	399,495
Other	95,917	92,671	93,939
	$ 1,724,123	$ 1,839,432	$ 1,832,494

	Revenues for the Year Ended		
	December 28, 2013	December 29, 2012	December 31, 2011
North America	$ 1,181,696	$ 1,283,232	$ 1,266,005
United Kingdom	172,783	204,506	227,238
Continental Europe	299,403	270,701	247,003
Australia, New Zealand and other	70,241	80,993	92,248
	$ 1,724,123	$ 1,839,432	$ 1,832,494

	Long-Lived Assets		
	December 28, 2013	December 29, 2012	December 31, 2011
North America	$ 82,518	$ 65,708	$ 35,196
United Kingdom	1,192	1,645	1,508
Continental Europe	2,083	2,431	2,208
Australia, New Zealand and other	1,259	1,984	2,160
	$ 87,052	$ 71,768	$ 41,072

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Effective the first day of fiscal 2014 (i.e. December 29, 2013), the Company realigned its organizational structure to better leverage its significant assets and align its innovation efforts, which resulted in new reporting segments (North America, United Kingdom, Continental Europe, and Rest of World) for the purpose of making operational and resource decisions and assessing financial performance. The segment information presented in these financial statements does not reflect this change as the change was not effected internally until the Company s first quarter of fiscal 2014. The Company will begin reporting segment information based on these new segments in its Quarterly Report on Form 10-Q for the first quarter of fiscal 2014.

15. Fair Value Measurements

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

When measuring fair value, the Company is required to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair Value of Financial Instruments

The Company s significant financial instruments include long-term debt and interest rate swap agreements.

The fair value of the Company s long-term debt is determined by utilizing average bid prices on or near the end of each fiscal quarter (Level 2 input). As of December 28, 2013, and December 29, 2012, the fair value of the Company s long-term debt was approximately $2,169,908 and $2,410,724, respectively.

Derivative Financial Instruments

The fair values for the Company s derivative financial instruments are determined using observable current market information such as the prevailing LIBOR interest rate and LIBOR yield curve rates and include consideration of counterparty credit risk. See Note 16 for disclosures related to derivative financial instruments.

The following table presents the aggregate fair value of the Company s derivative financial instruments:

		Fair Value Measurements Using:		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap liability at December 28, 2013	$ 7,578	$ 0	$ 7,578	$ 0
Interest rate swap liability at December 29, 2012	$ 13,871	$ 0	$ 13,871	$ 0

The Company did not have any transfers into or out of Levels 1 and 2, and did not maintain any assets or liabilities classified as Level 3, during the fiscal years ended December 28, 2013 and December 29, 2012.

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16. Derivative Instruments and Hedging

As of December 28, 2013 and December 29, 2012, the Company had in effect an interest rate swap with a notional amount totaling $466,250 and $583,250, respectively. In January 2009, the Company entered into this forward-starting interest rate swap with an effective date of January 4, 2010 and a termination date of January 27, 2014. During the term of this forward-starting interest rate swap, the notional amount fluctuated, but was no higher than the amount outstanding as of the end of fiscal 2013. The initial notional amount was $425,000 and the highest notional amount was $755,000. Effective April 2, 2013, due to the Company s debt refinancing, the Company ceased the application of hedge accounting for this swap. Accordingly, changes in the fair value of this swap have been recorded in earnings subsequent to April 2, 2013 and were immaterial for the fiscal year ended December 28, 2013.

On July 26, 2013, in order to hedge an additional portion of its variable rate debt, the Company entered into a forward-starting interest rate swap with an effective date of March 31, 2014 and a termination date of April 2, 2020. The initial notional amount of this swap is $1,500,000. During the term of this swap, the notional amount will decrease from $1,500,000 effective March 31, 2014 to $1,250,000 on April 3, 2017 with a further reduction to $1,000,000 on April 1, 2019. This interest rate swap effectively fixes the variable interest rate on the notional amount of this swap at 2.38%. This swap qualifies for hedge accounting and, therefore, changes in the fair value of this swap have been recorded in accumulated other comprehensive income (loss).

As of December 28, 2013 and December 29, 2012, cumulative unrealized losses for qualifying hedges were reported as a component of accumulated other comprehensive income (loss) in the amounts of $4,603 ($7,546 before taxes) and $6,602 ($10,824 before taxes), respectively.

The Company is hedging forecasted transactions for periods not exceeding the next seven years. The Company expects approximately $12,017 ($19,700 before taxes) of derivative losses included in accumulated other comprehensive income (loss) at December 28, 2013, based on current market rates, will be reclassified into earnings within the next 12 months.

17. Accumulated Other Comprehensive Income

Amounts reclassified out of accumulated other comprehensive income are as follows:

Changes in Accumulated Other Comprehensive Income by Component[(a)]

	Fiscal year ended December 28, 2013		
	Loss on Qualifying Hedges	Foreign Currency Translation Adjustments	Total
Beginning Balance at December 29, 2012	$ (6,602)	$ 19,461	$ 12,859
Other comprehensive loss before reclassifications, net of tax	(4,124)	(6,341)	(10,465)
Amounts reclassified from accumulated other comprehensive income, net of tax[(b)]	6,123	0	6,123
Net current period other comprehensive income (loss)	1,999	(6,341)	(4,342)
Ending Balance at December 28, 2013	$ (4,603)	$ 13,120	$ 8,517

(a) Amounts in parentheses indicate debits
(b) See separate table below for details about these reclassifications

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Reclassifications out of Accumulated Other Comprehensive Income[(a)]

Details about Other Comprehensive Income Components	Amounts Reclassified from Accumulated Other Comprehensive Income Fiscal Year Ended December 28, 2013	Affected Line Item in the Statement Where Net Income is Presented
Loss on Qualifying Hedges		
Interest rate contracts	$ (10,037)	Interest expense
	(10,037)	Income before income taxes
	3,914	Provision for income taxes
	$ (6,123)	Net income

(a) Amounts in parentheses indicate debits to profit / loss

18. Quarterly Financial Information (Unaudited)

The following is a summary of the unaudited quarterly consolidated results of operations for the fiscal years ended December 28, 2013 and December 29, 2012.

	For the Fiscal Quarters Ended			
	March 30, 2013	June 29, 2013	September 28, 2013	December 28, 2013
Fiscal year ended December 28, 2013				
Revenues, net	$ 490,790	$ 470,888	$ 396,334	$ 366,111
Gross profit	283,637	283,715	231,980	201,780
Operating income	103,119	153,976	124,520	79,142
Net income	48,753	64,916	60,258	30,798
Basic EPS	$ 0.87	$ 1.16	$ 1.07	$ 0.55
Diluted EPS	$ 0.87	$ 1.15	$ 1.07	$ 0.54

	For the Fiscal Quarters Ended			
	March 31, 2012	June 30, 2012	September 29, 2012	December 29, 2012
Fiscal year ended December 29, 2012				
Revenues, net	$ 506,786	$ 488,610	$ 432,903	$ 411,133

Gross profit	291,171	297,032	257,651	247,964
Operating income	102,774	153,508	131,984	122,539
Net income	54,605	77,462	67,364	57,995
Basic EPS	$ 0.74	$ 1.37	$ 1.21	$ 1.04
Diluted EPS	$ 0.74	$ 1.36	$ 1.20	$ 1.03

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year.

In the second quarter of fiscal 2013, net income and EPS were impacted by a $21,685 ($13,336 after tax), or $0.24 per fully diluted share, early extinguishment of debt charge resulting from the write-off of fees associated with the Company s April 2013 debt refinancing. In the first quarter of fiscal 2012, the Company

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WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

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wrote-off $1,328 of fees in connection with the March 2012 refinancing of its debt that the Company recorded as an early extinguishment of debt charge.

As discussed in further detail in Note 13, in the fourth quarter of fiscal 2012, the Company recognized a $4,099 net benefit ($7,423 pre-tax), or $0.07 per fully diluted share, from an accrual reversal associated with the settlement in the quarter of the previously reported UK self-employment tax litigation. The $7,423 pre-tax net benefit associated with the settlement consisted of an over-accrual reversal to cost of revenues of $14,544 partially offset by an additional interest accrual of $7,130.

As discussed in further detail in Note 1, the classification of certain brand marketing funds received from licensees has been revised to reflect them as revenue as opposed to being recorded as an offset to expense, increasing revenues and gross profit the first nine months of fiscal 2013 and all four quarters of fiscal 2012.

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SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(IN THOUSANDS)

	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions(1)	Balance at End of Period
FISCAL YEAR ENDED DECEMBER 28, 2013					
Allowance for doubtful accounts	$ 3,447	$ 596	$ 0	$ (566)	$ 3,477
Inventory and other reserves	$ 6,942	$ 9,580	$ 0	$ (10,663)	$ 5,859
Tax valuation allowance	$ 31,015	$ 3,821	$ 2,429	$ (893)	$ 36,372
FISCAL YEAR ENDED DECEMBER 29, 2012					
Allowance for doubtful accounts	$ 5,315	$ (1,067)	$ 26	$ (827)	$ 3,447
Inventory and other reserves	$ 7,397	$ 10,491	$ 0	$ (10,946)	$ 6,942
Tax valuation allowance	$ 25,781	$ 3,387	$ 2,322	$ (475)	$ 31,015
FISCAL YEAR ENDED DECEMBER 31, 2011					
Allowance for doubtful accounts	$ 5,191	$ 1,441	$ 0	$ (1,317)	$ 5,315
Inventory and other reserves	$ 3,948	$ 13,203	$ 0	$ (9,754)	$ 7,397
Tax valuation allowance	$ 24,989	$ 2,512	$ 970	$ (2,690)	$ 25,781

(1) Primarily represents the utilization of established reserves, net of recoveries, where applicable.

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EXHIBIT INDEX

Exhibit Number	Description
**3.1	Amended and Restated Articles of Incorporation of Weight Watchers International, Inc. (filed as Exhibit 3.1 to Amendment No. 1 to the Company s Registration Statement on Form 8-A as filed on January 6, 2012 (File No. 001-16769), and incorporated herein by reference).
**3.2	Articles of Amendment to the Articles of Incorporation, as Amended and Restated, of Weight Watchers International, Inc. to Create a New Series of Preferred Stock Designated as Series B Junior Participating Preferred Stock, adopted as of November 14, 2001 (filed as Exhibit 3.2 to Amendment No. 1 to the Company s Registration Statement on Form 8-A, as filed on January 6, 2012 (File No. 001-16769), and incorporated herein by reference).
**3.3	Amended and Restated Bylaws of Weight Watchers International, Inc., as of November 14, 2013 (filed as Exhibit 3.1 to the Company s Current Report on Form 8-K, as filed on November 18, 2013 (File No. 001-16769), and incorporated herein by reference).
**4.1	Specimen of stock certificate representing Weight Watchers International, Inc. s common stock, no par value (filed as Exhibit 4.1 to Amendment No. 1 to the Company s Registration Statement on Form 8-A, as filed on January 6, 2012 (File No. 001-16769), and incorporated herein by reference).
**10.1	License Agreement, dated as of September 29, 1999, between WW Foods, LLC and Weight Watchers International, Inc. (filed as Exhibit 10.4 to the Company s Registration Statement on Form S-4, as filed on December 2, 1999 (File No. 333-92005), and incorporated herein by reference).
**10.2	LLC Agreement, dated as of September 29, 1999, between H.J. Heinz Company and Weight Watchers International, Inc. (filed as Exhibit 10.7 to the Company s Registration Statement on Form S-4, as filed on December 2, 1999 (File No. 333-92005), and incorporated herein by reference).
**10.3	Operating Agreement, dated as of September 29, 1999, between Weight Watchers International, Inc. and H.J. Heinz Company (filed as Exhibit 10.8 to the Company s Registration Statement on Form S-4, as filed on December 2, 1999 (File No. 333-92005), and incorporated herein by reference).
**10.4	1999 Stock Purchase and Option Plan of Weight Watchers International, Inc. and Subsidiaries (filed as Exhibit 10.19 to the Company s Annual Report on Form 10-K for the fiscal year ended April 29, 2000, as filed on July 28, 2000 (File No. 000-03389), and incorporated herein by reference).
**10.5	Weight Watchers International, Inc. 2004 Stock Incentive Plan (filed as Appendix A of the Company s Definitive Proxy Statement on Schedule 14A filed on April 8, 2004 (File No. 001-16769), and incorporated herein by reference).
**10.6	Amendment to Weight Watchers International, Inc. 2004 Stock Incentive Plan (filed as Exhibit 10.5 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 2005, as filed on August 11, 2005 (File No. 001-16769), and incorporated herein by reference).
**10.7	Weight Watchers International, Inc. 2008 Stock Incentive Plan (filed as Appendix A of the Company s Definitive Proxy Statement on Schedule 14A filed on March 31, 2008 (File No. 001-16769), and incorporated herein by reference).
**10.8	Corporate Agreement, dated as of November 5, 2001, between Weight Watchers International, Inc. and Artal Luxembourg S.A. (filed as Exhibit 10.36 to Amendment No. 2 to the Company s Registration Statement on Form S-1, as filed on November 9, 2001 (File No. 333-69362), and incorporated herein by reference).

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Exhibit Number	Description
**10.9	Amendment, dated as of July 1, 2005, to the Corporate Agreement, dated as of November 5, 2001, by and between Weight Watchers International, Inc. and Artal Luxembourg S.A. (filed as Exhibit 10.4 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 2005, as filed on August 11, 2005 (File No. 001-16769), and incorporated herein by reference).
**10.10	Registration Rights Agreement, dated as of September 29, 1999, among Weight Watchers International, Inc., H.J. Heinz Company and Artal Luxembourg S.A. (filed as Exhibit 10.38 to Amendment No. 1 to the Company s Registration Statement on Form S-1, as filed on October 29, 2001 (File No. 333-69362), and incorporated herein by reference).
**10.11	Form of Amended and Restated Continuity Agreement, between Weight Watchers International, Inc. and certain key executives (Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and General Counsel) (filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 2011, as filed on August 11, 2011 (File No. 001-16769), and incorporated herein by reference).
**10.12	Form of Amended and Restated Continuity Agreement, between Weight Watchers International, Inc. and certain key executives (certain executive officers) (filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 2011, as filed on August 11, 2011 (File No. 001-16769), and incorporated herein by reference).
**10.13	Principal Stockholders Agreement among Weight Watchers International, Inc., WeightWatchers.com, Inc. and Artal Luxembourg S.A. dated as of June 13, 2005 (filed as Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 2005, as filed on August 11, 2005 (File No. 001-16769), and incorporated herein by reference).
**10.14	Form of Term Sheet for Employee Stock Awards and Form of Terms and Conditions for Employee Stock Awards for the 1999 Stock Purchase and Option Plan of Weight Watchers International, Inc. and Subsidiaries, the Weight Watchers International, Inc. 2004 Stock Incentive Plan and the Weight Watchers International, Inc. 2008 Stock Incentive Plan (filed as Exhibit 10.34 to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as filed on February 27, 2006 (File No. 001-16769), and incorporated herein by reference).
**10.15	Form of Term Sheet for Employee Restricted Stock Unit Awards and Form of Terms and Conditions for Employee Restricted Stock Unit Awards for the 1999 Stock Purchase and Option Plan of Weight Watchers International, Inc. and Subsidiaries, the Weight Watchers International, Inc. 2004 Stock Incentive Plan and the Weight Watchers International, Inc. 2008 Stock Incentive Plan (filed as Exhibit 10.35 to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as filed on February 27, 2006 (File No. 001-16769), and incorporated herein by reference).
**10.16	Form of Directors Restricted Stock Agreement for Weight Watchers International, Inc. non-employee director restricted stock issued under the Weight Watchers International, Inc. 2004 Stock Incentive Plan (filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2006, as filed on November 9, 2006 (File No. 001-16769), and incorporated herein by reference).
**10.17	Summary of Non-Employee Director Compensation (filed as Exhibit 10 to the Company s Current Report on Form 8-K, as filed on July 18, 2006 (File No. 001-16769), and incorporated herein by reference).
**10.18	Statement of Amendments to the 1999 Stock Purchase and Option Plan (filed as Exhibit 99.3 to the Company s Current Report on Form 8-K, as filed on December 15, 2006 (File No. 001-16769), and incorporated herein by reference).

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Exhibit Number	Description
**10.19	Statement of Amendments to the Weight Watchers International, Inc. 2004 Stock Incentive Plan (filed as Exhibit 99.4 to the Company s Current Report on Form 8-K, as filed on December 15, 2006 (File No. 001-16769), and incorporated herein by reference).
**10.20	Amendment to Agreements, dated as of October 1, 2002, by and between Weight Watchers International, Inc., WW Foods, LLC and H.J. Heinz Company (filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 2009, as filed on November 12, 2009 (File No. 001-16769), and incorporated herein by reference).
**10.21	Amendment to Operating Agreement, dated August 4, 2009, by and between Weight Watchers International, Inc. and H.J. Heinz Company (filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 2009, as filed on November 12, 2009 (File No. 001-16769), and incorporated herein by reference).
**10.22	Stock Purchase Agreement, dated as of February 14, 2012, by and between Weight Watchers International, Inc. and Artal Holdings Sp. z o.o., Succursale de Luxembourg (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K, as filed on February 16, 2012 (File No. 001-16769), and incorporated herein by reference).
**10.23	Amendment Agreement, dated as of March 15, 2012, among Weight Watchers International, Inc., the guarantors party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A. and Credit Suisse Securities (USA) LLC, as syndication agents, J.P. Morgan Securities LLC, Credit Suisse Securities (USA) LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and The Bank of Nova Scotia, as joint lead arrangers and joint bookrunners, JPMorgan Chase Bank, N.A., as an issuer, and The Bank of Nova Scotia, as administrative agent for the lenders, as swing line lender and as an issuer, relating to the Seventh Amended and Restated Credit Agreement dated as of March 15, 2012, attached as Annex A thereto (filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2012, as filed on May 10, 2012 (File No. 001-16769), and incorporated herein by reference).
**10.24	Second Amended and Restated Weight Watchers Executive Profit Sharing Plan, August 1, 2012 (filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended September 29, 2012, as filed on November 8, 2012 (File No. 001-16769), and incorporated herein by reference).
**10.25	Offer Letter, dated as of July 2, 2012, by and between Weight Watchers International, Inc. and Nicholas P. Hotchkin (filed as Exhibit 10.31 to the Company s Annual Report on Form 10-K for the fiscal year ended December 29, 2012, as filed on February 27, 2013 (File No. 001-16769), and incorporated herein by reference).
**10.26	Offer Letter, dated as of November 8, 2011, by and between Weight Watchers International, Inc. and Bruce Rosengarten (filed as Exhibit 10.32 to the Company s Annual Report on Form 10-K for the fiscal year ended December 29, 2012, as filed on February 27, 2013 (File No. 001-16769), and incorporated herein by reference).
**10.27	Letter Agreement, dated January 25, 2012, between Fortuity Pty Ltd. and Bruce Rosengarten (filed as Exhibit 10.33 to the Company s Annual Report on Form 10-K for the fiscal year ended December 29, 2012, as filed on February 27, 2013 (File No. 001-16769), and incorporated herein by reference).
**10.28	Offer Letter, dated as of December 6, 2012, by and between Weight Watchers International, Inc. and James Chambers (filed as Exhibit 10.34 to the Company s Annual Report on Form 10-K for the fiscal year ended December 29, 2012, as filed on February 27, 2013 (File No. 001-16769), and incorporated herein by reference).
**10.29	Letter Agreement, dated as of February 12, 2013, by and between Weight Watchers International, Inc. and Michael Basone (filed as Exhibit 10.35 to the Company s Annual Report on Form 10-K for the fiscal year ended December 29, 2012, as filed on February 27, 2013 (File No. 001-16769), and incorporated herein by reference).

Exhibit Number	Description
**10.30	Credit Agreement, dated as of April 2, 2013, among Weight Watchers International, Inc., as the borrower, the lenders party thereto, JPMorgan Chase Bank, N.A., as the administrative agent and an issuing bank, and The Bank of Nova Scotia, as the revolving agent, a swingline lender and an issuing bank (filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2013, as filed on May 9, 2013 (File No. 001-16769), and incorporated herein by reference).
**10.31	Separation Agreement, dated as of July 30, 2013, by and between Weight Watchers International, Inc. and David Kirchhoff (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K, as filed on August 1, 2013 (File No. 001-16769), and incorporated herein by reference).
**10.32	Severance Amendment, dated as of July 30, 2013, by and between Weight Watchers International, Inc. and James Chambers (filed as Exhibit 10.2 to the Company s Current Report on Form 8-K, as filed on August 1, 2013 (File No. 001-16769), and incorporated herein by reference).
**10.33	Letter Agreement, dated as of May 8, 2013, by and between Weight Watchers International, Inc. and Nicholas Hotchkin (filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended June 29, 2013, as filed on August 8, 2013 (File No. 001-16769), and incorporated herein by reference).
**10.34	Letter Agreement, dated as of May 8, 2013, by and between Weight Watchers International, Inc. and James Chambers (filed as Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended June 29, 2013, as filed on August 8, 2013 (File No. 001-16769), and incorporated herein by reference).
*10.35	Form of Term Sheet for Employee Performance Stock Option Awards and Form of Terms and Conditions for Employee Performance Stock Option Awards for the Weight Watchers International, Inc. 2008 Stock Incentive Plan (for certain executive officers party to continuity agreements).
*10.36	Form of Term Sheet for Employee Performance Stock Option Awards and Form of Terms and Conditions for Employee Performance Stock Option Awards for the Weight Watchers International, Inc. 2008 Stock Incentive Plan.
*21.1	Subsidiaries of Weight Watchers International, Inc.
*23.1	Consent of Independent Registered Public Accounting Firm.
*31.1	Rule 13a-14(a) Certification by James Chambers, Chief Executive Officer.
*31.2	Rule 13a-14(a) Certification by Nicholas P. Hotchkin, Chief Financial Officer.
*32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*Exhibit 101	
*EX-101.INS	XBRL Instance Document
*EX-101.SCH	XBRL Taxonomy Extension Schema
*EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase
*EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase
*EX-101.LAB	XBRL Taxonomy Extension Label Linkbase
*EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.
** Previously filed.
Represents a management arrangement or compensatory plan.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WEIGHT WATCHERS INTERNATIONAL, INC.

Date: February 26, 2014

By: /s/ JAMES CHAMBERS

James Chambers
President, Chief Executive Officer and Director
(Principal Executive Officer)

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 26, 2014	By:	/s/ JAMES CHAMBERS **James Chambers** **President, Chief Executive Officer and Director** **(Principal Executive Officer)**
Date: February 26, 2014	By:	/s/ NICHOLAS P. HOTCHKIN **Nicholas P. Hotchkin** **Chief Financial Officer** **(Principal Financial and Accounting Officer)**
Date: February 26, 2014	By:	/s/ RAYMOND DEBBANE **Raymond Debbane** **Director**
Date: February 26, 2014	By:	/s/ STEVEN M. ALTSCHULER **Steven M. Altschuler** **Director**
Date: February 26, 2014	By:	/s/ PHILIPPE J. AMOUYAL **Philippe J. Amouyal** **Director**
Date: February 26, 2014	By:	/s/ MARSHA JOHNSON EVANS **Marsha Johnson Evans** **Director**
Date: February 26, 2014	By:	/s/ JONAS M. FAJGENBAUM **Jonas M. Fajgenbaum** **Director**
Date: February 26, 2014	By:	/s/ SACHA LAINOVIC **Sacha Lainovic** **Director**
Date: February 26, 2014	By:	/s/ CHRISTOPHER J. SOBECKI **Christopher J. Sobecki** **Director**