GNC HOLDINGS, INC.
Form 10-K
February 20, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number: 001-35113

GNC Holdings, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE (state or other jurisdiction of Incorporation or organization)	**20-8536244** (I.R.S. Employer Identification No.)
300 Sixth Avenue **Pittsburgh, Pennsylvania** (Address of principal executive offices)	**15222** (Zip Code)

Registrant's telephone number, including area code: **(412) 288-4600**

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A common stock, par value $0.001 per share	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ý

The aggregate market value of all common stock (based upon the closing price of the New York Stock Exchange) of the registrant held by non-affiliates of the registrant as of June 28, 2013 was approximately $4.23 billion.

As of February 14, 2014, the number of outstanding shares of Class A common stock, par value $0.001 per share (the "common stock"), of GNC Holdings, Inc. was 94,166,458 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information in the Company's definitive Proxy Statement for the 2014 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year, is incorporated by reference in Part III of this Form 10-K.

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FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Annual Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations and business. Forward-looking statements include statements that may relate to our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs and other information that is not historical information. Discussions containing such forward-looking statements may be found in Items 1, 2, 3, 7 and 7A hereof, as well as within this report generally. Forward-looking statements can often be identified by the use of terminology such as "subject to," "believe," "anticipate," "plan," "expect," "intend," "estimate," "project," "may," "will," "should," "would," "could," "can," the negatives thereof, variations thereon and similar expressions, or by discussions of strategy.

All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. We believe there is a reasonable basis for our expectations and beliefs, but they are inherently uncertain. We may not realize our expectations and our beliefs may not prove correct. Actual results could differ materially from those described or implied by such forward-looking statements. The following uncertainties and factors, among others (including those set forth under "Risk Factors"), could affect future performance and cause actual results to differ materially from those matters expressed in or implied by forward-looking statements:

- significant competition in our industry;
- unfavorable publicity or consumer perception of our industry or products;
- increases in the cost of borrowings and limitations on availability of additional debt or equity capital;
- our debt levels and restrictions in our debt agreements;
- incurrence of material product liability and product recall costs;
- loss or retirement of key members of management;
- costs of compliance or any failure on our part to comply with new and existing governmental regulations governing our products, including, but not limited to, proposed dietary supplement legislation and regulations;
- changes in our tax obligations;
- costs of litigation or investigations involving our company and any failure to successfully defend lawsuits and other claims against us;
- failure of our franchisees to conduct their operations profitably and limitations on our ability to terminate or replace under-performing franchisees;
- economic, political and other risks associated with our international operations;

failure to keep pace with the demands of our customers for new products and services;

limitations of or disruptions in our manufacturing system or losses of manufacturing certifications;

limitations of or disruptions in our distribution network;

lack of long-term experience with human consumption of ingredients in some of our products;

increases in the frequency and severity of insurance claims, particularly claims for which we are self-insured;

failure to adequately protect or enforce our intellectual property rights against competitors;

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- changes in raw material costs and pricing of our products;
- failure to successfully execute our growth strategy, including any delays in our planned future growth, any inability to expand our franchise operations or attract new franchisees, any inability to expand our company-owned retail operations, any inability to grow our international footprint, or any inability to expand our e-commerce business;
- changes in applicable laws relating to our franchise operations;
- damage or interruption to our information systems;
- risks and costs associated with data loss, credit card fraud and identity theft;
- impact of current economic conditions on our business;
- natural disasters, unusually adverse weather conditions, pandemic outbreaks, boycotts and geo-political events; and
- failure to maintain effective internal controls.

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

Throughout this Annual Report, we use market data and industry forecasts and projections that were obtained from surveys and studies conducted by third parties, including the Nutrition Business Journal, and from publicly available industry and general publications. Although we believe that the sources are reliable, and that the information contained in such surveys and studies conducted by third parties is accurate and reliable, we have not independently verified the information contained therein. We note that estimates, in particular as they relate to general expectations concerning our industry, involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" in this Annual Report.

PART I

Item 1. BUSINESS.

GNC Holdings, Inc. ("Holdings") is headquartered in Pittsburgh, Pennsylvania and its common stock trades on the New York Stock Exchange (the "NYSE") under the symbol "GNC." Based on our worldwide network of more than 8,500 locations and our online channels, we believe that we are the leading global specialty retailer of health and wellness products, including vitamins, minerals and herbal supplement products ("VMHS"), sports nutrition products and diet products. Our diversified, multi-channel business model derives revenue from product sales through company-owned domestic retail stores, domestic and international franchise activities, third-party contract manufacturing, e-commerce and corporate partnerships. We believe that the strength of our GNC brand, which is distinctively associated with health and wellness, combined with our stores and online channels, gives us broad access to consumers and uniquely positions us to benefit from the favorable trends driving growth in the nutritional supplements industry and the broader health and wellness sector. Our broad and deep product mix, which is focused on high-margin, premium, value-added nutritional products, is sold under our GNC proprietary brands, including Mega Men®, Ultra Mega®, Total Lean™, Pro Performance® and Pro Performance® AMP, Beyond Raw®, and under nationally recognized third-party brands.

Based on the information we compiled from the public securities filings of our primary competitors, our network of domestic retail locations is approximately ten times larger than the next largest United States specialty retailer of nutritional supplements and provides a leading platform for our vendors to

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distribute their products to their target consumers. Our close relationships with our vendor partners have enabled us to negotiate first-to-market opportunities. In addition, our in-house product development capabilities enable us to offer our customers proprietary merchandise that can only be purchased through our locations or through GNC.com. Because the nutritional supplement consumer often requires knowledgeable customer service, we also differentiate ourselves from mass and drug retailers with our well-trained sales associates who are aided by in-store technology. We believe that our expansive retail network, differentiated merchandise offering and quality customer service result in a unique shopping experience that is distinct from that of our competitors.

Our principal executive office is located at 300 Sixth Avenue, Pittsburgh, Pennsylvania 15222, and our telephone number is (412) 288-4600. We maintain and make available on GNC.com, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports as soon as reasonably practical after we electronically file or furnish them to the United States Securities and Exchange Commission (the "SEC"). In addition to GNC.com, our electronic SEC filings can be accessed from the SEC's internet site at www.sec.gov.

In this Annual Report, unless the context requires otherwise, references to "we," "us," "our," "Company" or "GNC" refer collectively to Holdings and its subsidiaries.

Corporate History

Our business was founded in 1935 by David Shakarian who opened our first health food store in Pittsburgh, Pennsylvania. Since that time, the number of stores has continued to grow, and we began producing our own vitamin and mineral supplements as well as foods, beverages and cosmetics.

On April 6, 2011, we completed an initial public offering (the "IPO") pursuant to which 25.875 million shares of common stock were sold at a price of $16.00 per share. Holdings issued and sold 16 million shares and certain of Holdings' stockholders sold 9.875 million shares in the IPO. Subsequent to the IPO, certain of our stockholders completed four registered offerings of common stock. In conjunction with one of these selling stockholder offerings, in August 2012, the Company repurchased an additional six million shares of common stock from Ares Corporate Opportunities Fund II L.P. ("Ares") as part of a share repurchase program. As of December 31, 2012, Ares no longer owned any shares of our common stock and Ontario Teachers' Pension Plan Board ("OTPP", and together with Ares, collectively referred to herein as the "Sponsors") owned less than 10,000 shares of our common stock. The IPO, the offerings, and the repurchase of the six million shares of common stock are collectively herein referred to as the "Offerings."

Holdings is a holding company and all of its operations are conducted through its operating subsidiaries.

Our Growth Strategy

We plan to execute several strategies in the future to promote growth in revenue and operating income, and capture market share, including:

- *Growing company-owned domestic retail earnings.* We believe that growth in our domestic retail business will be supported by continued same store sales growth and positive operating leverage. Our existing store base and the supporting infrastructure enable us to convert a high percentage of our incremental sales volume into operating income, providing the opportunity to further expand our company-owned retail operating income margin.

- *Growing company-owned domestic retail square footage.* We believe that (i) the expansion of our store base will allow us to increase our market share and our appeal to a wider range of consumers as we enter new markets and grow within existing markets, and (ii) the United States market can support a significant number of additional GNC stores.

Growing our international footprint. Our international business has been a key driver of growth in recent years. We expect to continue capitalizing on international revenue growth opportunities through additions of franchise stores in existing markets, expansion into new high growth markets and the growth of product distribution in both existing and new markets. For example, in 2013, we acquired A1 Sports Limited d/b/a Discount Supplements ("DiscountSupplements.com"), a leading multi-brand sports nutrition e-commerce retailer in the United Kingdom.

Expanding our e-commerce businesses. We believe that GNC.com, LuckyVitamin.com, and DiscountSupplements.com are well-positioned to continue capturing market share online, which represents one of the fastest growing channels of distribution in the nutritional supplements industry. We intend to continue to capitalize on the growth of our e-commerce businesses and may explore opportunities to acquire additional web banners to expand our online market share, as with our acquisition of DiscountSupplements.com.

Further leveraging of the GNC brand. As with our Rite Aid, Sam's Club and PetSmart partnerships, we believe that we have the opportunity to create additional streams of revenue and grow our customer base by leveraging the GNC brand through corporate partnerships outside of our existing distribution channels.

Competitive Strengths

We believe that we are well-positioned to capitalize on favorable industry trends as a result of the following competitive strengths:

Highly-valued and iconic brand. We believe our broad portfolio of proprietary products, which are available in our locations or on GNC.com, advances GNC's brand presence and our general reputation as a leading retailer of health and wellness products. We continue to modernize the GNC brand in an effort to further advance its positioning.

Attractive, loyal customer base. Our large customer base includes approximately 8.3 million active Gold Card members in the United States and Canada who account for over 75% of company-owned retail sales and spend approximately two times more than other GNC customers. We believe that our customer base is attractive as our shoppers tend to be gender balanced, relatively young, well-educated and affluent. Recent surveys, commissioned by us, reflect a high satisfaction rate among our shoppers with respect to selection, product innovation, quality and overall experience.

Commanding market position in an attractive and growing industry. Based on our broad global footprint of more than 8,500 locations in the United States and over 50 international countries (including distribution centers where retail sales are made), and on our e-commerce channels, we believe that we are the leading global specialty retailer of health and wellness products within a fragmented industry. With a presence in all 50 states, the District of Columbia and Puerto Rico, our network of domestic retail locations is approximately ten times larger than the next largest United States specialty retailer of nutritional supplements, based on the information we compiled from the public securities filings of our primary competitors.

Unique product offerings and robust innovation capabilities. Product innovation is critical to our growth, brand image superiority and competitive advantage. We have internal product development teams located in our corporate headquarters in Pittsburgh, Pennsylvania and our manufacturing facility in Greenville, South Carolina, which collaborate on the development and formulation of proprietary nutritional supplements with a focus on high growth categories. We seek to maintain the pace of GNC's proprietary product innovation to stay ahead of our competitors and provide consumers with unique reasons to shop at our stores. Our in-house product development teams and vertically integrated infrastructure enable us to quickly take a concept for a new product from the

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idea stage, to product development, to testing and trials and ultimately to the shelf to be sold to our customers.

Diversified business model. Our multi-channel approach is unlike many other specialty retailers as we derive revenues across a number of distribution channels in multiple geographies, including retail sales from company-owned retail stores (including 146 stores on United States military bases), retail sales from GNC.com, LuckyVitamin.com, and DiscountSupplements.com, royalties, wholesale sales and fees from both domestic and international franchisees, revenue from third-party contract manufacturing, wholesale revenue and fees from our Rite Aid store-within-a-store locations, and wholesale revenue from Sam's Club and PetSmart. Our business is further diversified by our broad merchandise assortment. Our retail stores generally offer over 1,800 SKUs across multiple product categories.

Vertically integrated operations that underpin our business strategy. To support our company-owned and franchise store bases, we have developed sophisticated manufacturing, warehousing and distribution facilities. These consist of a manufacturing facility in Greenville, South Carolina and distribution facilities in Leetsdale, Pennsylvania, Anderson, South Carolina, and Phoenix, Arizona. Our vertically integrated business model allows us to control the production and timing of new product introductions, control costs, maintain high standards of product quality, monitor delivery times, manage inventory levels and enhance profitability.

Differentiated service model that fosters a "selling" culture and an exceptional customer experience. We believe we distinguish ourselves from mass and drug retailers with our well-trained sales associates, who offer educated service and trusted advice. We invest considerable capital and human resources in providing comprehensive associate training. We believe that our expansive retail network, differentiated merchandise offering and high- quality customer service result in a unique shopping experience.

World-class management team with a proven track record. Our highly experienced and talented management team has a unique combination of leadership and experience across the retail industry. Our team has successfully executed on key growth initiatives while effectively managing the business in a difficult economic environment.

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Business Overview

The following charts illustrate the percentage of our net revenue generated by our three segments and the percentage of our net United States retail nutritional supplements revenue generated by our product categories for the year ended December 31, 2013:

Revenue by Segment

United States Retail Revenue by Product*

* includes domestic retail and GNC.com, but excludes LuckyVitamin.com

In 2013, we did not have a material concentration of sales from any single product or product line.

Segments

We generate revenues from our three segments, Retail, Franchise and Manufacturing/Wholesale. The following chart outlines our segments and the historical contribution to our consolidated revenues by those segments, after intercompany eliminations. For a description of operating income (loss) by segment, our

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total assets by segment, total revenues by geographic area, and total assets by geographic area, see Note 16, "Segments," to our audited consolidated financial statements included in this Annual Report.

	Year ended December 31,					
	2013		2012		2011	
	(dollars in millions)					
Retail	$ 1,926.8	73.3%	$ 1,785.0	73.5%	$ 1,518.5	73.3%
Franchise	440.4	16.7%	408.1	16.8%	334.8	16.1%
Manufacturing/Wholesale (Third Party)	263.1	10.0%	236.9	9.7%	218.9	10.6%
Total	$ 2,630.3	100.0%	$ 2,430.0	100.0%	$ 2,072.2	100.0%

Although we believe that none of our segments are seasonal in nature, historically we have experienced, and expect to continue to experience, a variation in our net sales and operating results from quarter to quarter.

We believe that the factors that influence this variability of quarterly results include general economic and weather conditions that affect consumer spending, changing customer demands, the introduction of new merchandise or promotions, and actions of competitors.

Retail

Our Retail segment generates revenues primarily from sales of products to customers at our company-owned stores in the United States, Canada and Puerto Rico and through our websites, GNC.com, LuckyVitamin.com and DiscountSupplements.com.

Locations

As of December 31, 2013, we operated 3,342 company-owned stores across all 50 states including the District of Columbia, Canada and Puerto Rico. Most of our United States company-owned stores are between 1,000 and 2,000 square feet and are located primarily in shopping malls and strip shopping centers. Traditional shopping mall and strip shopping center locations generate a large percentage of our total retail sales. With the exception of our downtown stores, virtually all of our company-owned stores follow one of two consistent formats, one for mall locations and one for strip shopping center locations.

We periodically redesign our store graphics to better identify with our GNC customers and provide product information to allow these customers to make educated decisions regarding product purchases and usage. Our product labeling is consistent within our product lines and the stores are designed to present a unified approach to packaging with emphasis on added information for the customer. As an ongoing practice, we continue to reset and upgrade all of our company-owned stores to maintain a more modern and customer-friendly layout, while promoting our GNC Live Well® theme.

Websites

GNC.com has become an increasingly significant part of our business. Some of the products offered on our website may not be available at our retail locations, enabling us to broaden the assortment of products available to our customers. The ability to purchase our products through the internet also offers a convenient method for repeat customers to evaluate and purchase new and existing products. This additional sales channel has enabled us to market and sell our products in regions where we have limited or no retail operations. Internet purchases are fulfilled and shipped directly from our distribution centers to our consumers using a third-party courier service. Historically, we believe that most of the sales generated by our website are incremental to the revenues from our retail locations.

In August 2011, we acquired S&G Properties, LLC d/b/a LuckyVitamin.com and What's the Big Deal?, Inc. d/b/a Gary's "World of Wellness" (collectively referred to as "LuckyVitamin.com"), an online

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retailer of health and wellness products. The addition of the LuckyVitamin.com platform provides a wide range of nationally branded nutritional supplements with a diverse selection of wellness oriented products.

In October 2013, we acquired DiscountSupplements.com, a leading multi-brand sports nutrition e-commerce retailer in the United Kingdom. The addition of the DiscountSupplements.com platform expands our reach and growth opportunities in the e-commerce channel while broadening our customer demographics and product offerings online.

Franchise

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

As of December 31, 2013, there were 3,036 franchise stores operating, including 1,012 stores in the U.S. and 2,024 international franchise stores operating in over 50 international countries (including distribution centers where retail sales are made). Our franchise stores in the United States are typically between 1,000 and 2,000 square feet, and approximately 90% are located in strip shopping centers. The international franchise stores are typically smaller and, depending upon the country and cultural preferences, are located in mall, strip shopping center, street or store-within-a-store locations. In addition, some international franchisees sell on the internet in their respective countries. Typically, our international stores have a store format and signage similar to our United States franchise stores. We believe that our franchise program enhances our brand awareness and market presence and will enable us to continue to expand our store base internationally with limited capital expenditures. We believe we have good relationships with our franchisees, as evidenced by our domestic franchisee renewal rate of 95% between 2008 and 2013. We do not rely heavily on any single franchise operator in the United States, where our largest franchisee owns and/or operates 19 store locations.

All of our franchise stores in the United States offer both our proprietary products and third-party products, with a product selection similar to that of our company-owned stores. Our international franchise stores are offered a more limited product selection than our franchise stores in the United States with the product selection heavily weighted toward proprietary products.

Franchises in the United States

Revenues from our franchisees in the United States accounted for approximately 58% of our total franchise revenues for the year ended December 31, 2013. New franchisees in the United States are generally required to pay an initial fee of $40,000 for a franchise license. Existing GNC franchise operators may purchase an additional franchise license for a $30,000 fee. We typically offer limited financing to qualified franchisees in the United States for terms of up to five years. Once a store begins operations, franchisees are required to pay us a continuing royalty of 6% of sales and contribute 3% of sales to a national advertising fund. Our standard franchise agreements for the United States are effective for an initial ten-year period with two five-year renewal options. At the end of the initial term and each of the renewal periods, the renewal fee is generally 33% of the franchisee fee that is then in effect. The franchisee renewal option is generally at our election. Franchisees must meet certain conditions to exercise the franchisee renewal option. Our franchisees in the United States receive limited geographical exclusivity and are required to utilize the standard GNC store format.

Generally, we enter into a five-year lease with one five-year renewal option with landlords for our franchise locations in the United States. This allows us to secure locations at more cost-effective rates, which we sublease to our franchisees at cost. Franchisees must meet certain minimum standards and duties prescribed by our franchise operations manual, and we conduct periodic field visit reports to ensure our minimum standards are maintained. If a franchisee does not meet specified performance and appearance criteria, we are permitted to terminate the franchise agreement. In these situations, we may take

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possession of the location, inventory and equipment, and operate the store as a company-owned store or re-franchise the location.

International Franchises

Revenues from our international franchisees accounted for approximately 42% of our total franchise revenues for the year ended December 31, 2013. In 2013, new international franchisees were required to pay an initial fee of approximately $25,000 for a franchise license for each full size store and continuing royalty fees that vary depending on the country. Our international franchise program has enabled us to expand into international markets with limited capital expenditures. We expanded our international presence from 1,188 international franchise locations at the end of 2008 to 2,024 international locations (including distribution centers where retail sales are made) as of December 31, 2013. We typically generate less revenue from franchises outside the United States due to lower international royalty rates and the franchisees purchasing a smaller percentage of products from us compared to our domestic franchisees.

We enter into development agreements with international franchisees for either full-size stores, store-within-a-store locations, wholesale distribution center operations or internet distribution rights. The development agreement grants the franchisee the right to develop a specific number of stores in a territory, often the entire country. The franchisee then enters into a franchise agreement for each location. The full-size store franchise agreement has an initial ten-year term with two five-year renewal options. At the end of the initial term and renewal periods, the franchisee typically has the option to renew the agreement at 33% of the franchise fee that is then in effect. Franchise agreements for international store-within-a-store locations have an initial term of five years, with two five-year renewal options. At the end of the initial term and each of the renewal periods, the franchisee has the option to renew the agreement for up to a maximum of 50% of the franchise fee that is then in effect. Our international franchisees often receive exclusive franchising rights to the entire country franchise, excluding United States military bases. Our international franchisees must meet minimum standards and duties similar to our United States franchisees.

Manufacturing/Wholesale

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

Manufacturing

Our sophisticated manufacturing and warehousing facilities provide finished products to our Retail and Franchise segments and enable us to control the production and distribution of our proprietary products, better control costs, protect product quality, monitor delivery times and maintain appropriate inventory levels. Our unique combination of in-house development of products, vertically integrated infrastructure and innovation capabilities support our business strategy and enable the rapid development of proprietary products.

We operate two main manufacturing facilities in the United States: one in Greenville, South Carolina and one in Anderson, South Carolina. We utilize our plants primarily for the production of proprietary products. Our manufacturing operations are designed to ensure low-cost production of a variety of products of different quantities, sizes and packaging configurations while maintaining strict levels of quality control. Our manufacturing procedures are designed to promote consistency and quality in our finished goods. We conduct sample testing on raw materials and finished products, including weight, purity

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and micro bacterial testing. Our manufacturing facilities also service our wholesale operations, including the manufacture and supply of our proprietary and third-party brand products to Rite Aid, Sam's Club, PetSmart and www.drugstore.com. We use our available capacity at these facilities to produce products for sale to third-party customers.

The principal raw materials used in the manufacturing process are natural and synthetic vitamins, herbs, minerals and gelatin. We maintain multiple sources for the majority of our raw materials, with the remaining being single-sourced due to the uniqueness of the material. In 2013, no one vendor supplied more than 10% of our raw materials. Beginning in 2013, we utilize a third-party pooled carrier transportation network that delivers raw materials and components to our manufacturing facilities and also delivers our finished goods and third-party products to our distribution centers (herein referred to as the "Transportation Network Transition").

Wholesale

Franchise Store-Within-a-Store Locations. To increase brand awareness and promote access to customers who may not frequent specialty nutrition stores, we entered into a strategic alliance with Rite Aid in December 1998 to open GNC franchise store-within-a-store locations. As of December 31, 2013, we had 2,215 Rite Aid store-within-a-store locations. Through this strategic alliance, we generate revenues from sales to Rite Aid of our products at wholesale prices, the manufacture of Rite Aid private label products, retail sales of certain consigned inventory and license fees. We are Rite Aid's sole supplier for the PharmAssure vitamin brand and a number of Rite Aid private label supplements. We recently extended our alliance with Rite Aid through 2019 by exercising a five year option in the contract. At December 31, 2013, Rite Aid had opened 1,079 of an additional 1,125 store-within-a-store locations that Rite Aid has committed to open by December 31, 2014. Rite Aid has committed to open 50 new stores for each year after 2014 through 2019.

Products

We offer a wide range of high-quality nutritional supplements sold under our GNC proprietary brand names, including Mega Men®, Ultra Mega®, Total Lean™, Pro Performance® and Pro Performance® AMP, Beyond Raw® and under nationally recognized third-party brand names. We report our sales in four major nutritional supplement categories: VMHS, sports nutrition, diet and other wellness. In addition, our retail sales offer an extensive mix of brands, including over 1,800 SKUs across multiple categories and products. Through our online channels, GNC.com, LuckyVitamin.com and DiscountSupplements.com, we offer additional SKUs to online customers. This variety is designed to provide our customers with a vast selection of products to fit their specific needs and to generate a high number of transactions with purchases from multiple product categories. Sales of our proprietary brands at our company-owned stores represented over 54% of our net retail product revenues for the years ended 2013, 2012, and 2011. We have arrangements with our vendors to provide third-party products on an as needed basis. We are not dependent on any one vendor for a material amount of our third-party products.

Consumers may purchase a GNC Gold Card in any United States GNC store or at GNC.com for a $15.00 annual fee. During 2013, we expanded our Gold Card Member Pricing model to be nationwide. The program evolves Gold Card from a fixed 20% discount the first week of each month to an everyday variable discount Member Pricing model. Gold Card members also receive personalized mailings and e-mails with product news, nutritional information, and exclusive offers.

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Based on data collected from our point of sales systems in our GNC stores and from GNC.com, below is a comparison of our company-owned domestic retail product sales by major product category, and the percentages of our company-owned domestic retail product sales for the years shown:

U.S Retail Product Categories:	2013		December 31, 2012		2011	
	($ in millions)					
VMHS	$ 663.6	38.6%	$ 624.6	38.8%	$ 542.6	38.7%
Sports Nutrition Products	764.9	44.5%	686.2	42.6%	621.8	44.3%
Diet Products	198.8	11.6%	192.3	12.0%	139.6	9.9%
Other Wellness Products	92.1	5.3%	105.9	6.6%	99.7	7.1%
Total U.S. Retail revenues	$ 1,719.4	100.0%	$ 1,609.0	100.0%	$ 1,403.7	100.0%

The data above represents the revenue reported for the domestic portion of our retail segment, and excludes additional revenue, primarily wholesale sales revenue to our military commissary locations, revenue from LuckyVitamin.com, whose sales categories are not consistent with our point of sales system, and certain revenue adjustments that are recorded to ensure conformity with generally accepted accounting principles in the United States, including deferral of our Gold Card revenue to match the twelve month discount period of the card, and a reserve for customer returns. These excluded amounts were $78.4 million for 2013 (including $63.1 million related to LuckyVitamin.com), $64.8 million for 2012 (including $56.7 million related to LuckyVitamin.com), and $16.7 million for 2011 (including $14.5 million related to LuckyVitamin.com). These items are recurring in nature, and we expect to record similar adjustments in the future.

VMHS

We sell vitamins and minerals in single vitamin and multi vitamin form and in different potency levels. Our vitamin and mineral products are available in liquid, tablets, soft gelatin, hard-shell capsules and powder forms, and are available in traditional bottle packaging form or in customized daily packet form ("Vitapak®"). Many of our special vitamin and mineral formulations, such as Mega Men®, Ultra Mega® and Triple Strength Fish Oil are available at our locations, select wholesale partner locations, and on GNC.com. In addition to our selection of VMHS products with unique formulations, we also offer the full range of standard "alphabet" vitamins. We sell herbal supplements in various solid dosage and soft gelatin capsules, tea and liquid forms. We have consolidated our traditional herbal offerings under a single umbrella brand, Herbal Plus®. In addition to the Herbal Plus® line, we offer a full line of whole food-based supplements and herb and natural remedy products.

We also offer a variety of specialty products in our GNC and Preventive Nutrition® product lines. These products emphasize third-party research and literature regarding the positive benefits from certain ingredients. These offerings include products designed to provide nutritional support to specific areas of the body, such as joints, the heart and blood vessels and the digestive system. Overall, GNC-branded proprietary products constituted approximately 80% of our VMHS sales in 2013.

Sports Nutrition Products

Sports nutrition products are designed to be taken in conjunction with an exercise and fitness regimen. We typically offer a broad selection of sports nutrition products, such as protein and weight gain powders, sports drinks, sports bars and high potency vitamin formulations, including GNC brands such as Pro Performance®, Pro Performance® AMP and Beyond Raw®, and popular third-party products. Our GNC-branded proprietary products, including Pro Performance® branded products, represented approximately 33% of our sports nutrition product sales in 2013, and are available at our locations, select

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wholesale partner locations, and on GNC.com. With a broad array of products and our vast retail footprint, we believe we are recognized as one of the leading retailers of sports nutrition products.

Diet Products

Our wide variety of diet products consist of various formulas designed to supplement the diet and exercise plans of weight conscious consumers. We typically offer a variety of diet products, including pills, meal replacements, shakes, diet bars, energy tablets and cleansing products. Our retail stores offer our proprietary and third-party brand products suitable for different diet and weight management approaches, including products designed to increase thermogenesis (a change in the body's metabolic rate measured in terms of calories) and metabolism. The diet category is cyclical with new products generating short-term sales growth before generally declining over time, making sales trends within this category less predictable than in our other product categories. We have reduced our exposure to the diet category with our GNC proprietary line, Total Lean , which is more focused on meal replacement and represents a more stable line of business. In 2013, company-owned retail sales from diet products accounted for approximately 12% of sales, down significantly from 27% of sales in 2001. Overall, we estimate that GNC-branded proprietary products constituted approximately 46% of our diet product sales in 2013.

Other Wellness Products

Other wellness products represent a comprehensive category that consists of sales of our Gold Card preferred membership and sales of other nonsupplement products, including cosmetics, food items, health management products, books, DVDs and equipment.

Product Development

We believe that introduction of innovative, high quality, clinically proven, superior performing products is a key driver of our business. Customers widely credit us as being a leader in offering premium health products and rate the availability of a wide variety of products as one of our biggest strengths. We identify shifting consumer trends through market research and through interactions with our customers and leading industry vendors to assist in the development, manufacturing and marketing of our new products. Our dedicated innovation team independently drives the development of proprietary products by collaborating with vendors to provide raw materials, clinical and product development for proprietary GNC-branded products. Average development time for products is four to seven months, or six to 18 months or longer when development involves clinical trials. We also work with our vendors to ensure a steady flow of third-party products with preferred distribution rights are made available to us for a limited period of time. In 2013, we targeted our product development efforts on specialty vitamins, diet/weight conscious solutions, and sports nutrition products resulting in the introduction of several soft chew and gummy offerings across multiple product categories, expanded the sports offerings under the Pro Performance® AMP and Beyond Raw® brands, and expanded condition specific offerings with the re-launch of the Preventive Nutrition® line. In 2013, we estimate that GNC-branded products generated more than $1.2 billion of retail sales across company-owned retail, domestic franchise locations, GNC.com and Rite Aid store-within-a-store locations.

Products are delivered to our retail stores through our distribution centers located in Leetsdale, Pennsylvania, Anderson, South Carolina, and Phoenix, Arizona. Our distribution centers support our company-owned stores as well as franchise stores and Rite Aid locations. For the first three quarters of 2013, our distribution fleet delivered our finished goods and third-party products through our distribution centers to our company-owned and domestic franchise stores on a weekly or biweekly basis depending on the sales volume of the store. During the fourth quarter, GNC transitioned to a third-party pooled carrier product transportation network. LuckyVitamin.com is supported by a separate distribution center in Leetsdale, Pennsylvania that began operating in December 2011. In conjunction with the acquisition of DiscountSupplements.com, we lease an approximately 24,000 square foot facility in Braintree, Essex, U.K where DiscountSupplements.com maintains its corporate headquarters and fulfills the distribution of its products. During 2013, an additional 7,800 square feet were added to provide capacity for inventory. Each of our distribution centers has a quality control department that monitors products received from our vendors to ensure they meet our quality standards.

Research and Development

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

Employees

As of December 31, 2013, we had approximately 6,100 full-time and 9,800 part-time employees, of whom approximately 13,800 were employed in our Retail segment, approximately 50 were employed in our Franchise segment, approximately 1,500 were employed in our Manufacturing/Wholesale segment, and approximately 550 were employed in corporate support functions. None of our employees belongs to a union or is a party to any collective bargaining or similar agreement. We consider our relationship with our employees to be good.

Competition

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

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

Trademarks and Other Intellectual Property

We believe trademark protection is particularly important to the maintenance of the recognized brand names under which we market our products. We own or have rights to material trademarks or trade names that we use in conjunction with the sale of our products, including the GNC brand name. We also rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain our competitive position. We protect our intellectual property rights through a variety of methods, including trademark, patent and trade secret laws, as well as confidentiality agreements and proprietary information agreements with vendors, employees, consultants and others who have access to our proprietary information. Protection of our intellectual property often affords us the opportunity to enhance our position in the marketplace by precluding our competitors from using or otherwise exploiting our technology and brands. We are also a party to several intellectual property license agreements relating

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to certain of our products. The duration of our trademark registrations is generally 10, 15 or 20 years, depending on the country in which the marks are registered, and the registrations can be renewed by us. The scope and duration of our intellectual property protection varies throughout the world by jurisdiction and by individual product.

Insurance and Risk Management

We purchase insurance to cover standard risks in the nutritional supplements industry, including policies to cover general products liability, workers' compensation, auto liability and other casualty and property risks. Our insurance rates are dependent upon our safety record as well as trends in the insurance industry. We also maintain workers' compensation insurance and auto insurance policies that are retrospective in that the cost per year will vary depending on the frequency and severity of claims in the policy year.

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

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

Government Regulation

Product Regulation

Domestic

The processing, formulation, safety, manufacturing, packaging, labeling, advertising and distribution of our products are subject to regulation by one or more federal agencies, including the Federal Drug Administration (the "FDA"), the Federal Trade Commission (the "FTC"), the Consumer Product Safety Commission (the "CPSC"), the United States Department of Agriculture (the "USDA") and the Environmental Protection Agency (the "EPA"), and by various agencies of the states and localities in which our products are sold.

The Dietary Supplement Health and Education Act of 1994 ("DSHEA") amended the Federal Food, Drug, and Cosmetic Act (the "FDC Act") to establish a new framework governing the composition, safety, labeling, manufacturing and marketing of dietary supplements. Generally, under the FDC Act, dietary ingredients that were marketed in the United States prior to October 15, 1994 may be used in dietary supplements without notifying the FDA. "New" dietary ingredients (i.e., dietary ingredients that were "not marketed in the United States before October 15, 1994") must be the subject of a new dietary ingredient notification submitted to the FDA unless the ingredient has been "present in the food supply as an article used for food" without being "chemically altered." A new dietary ingredient notification must provide the FDA evidence of a "history of use or other evidence of safety" establishing that use of the dietary ingredient "will reasonably be expected to be safe." A new dietary ingredient notification must be submitted to the FDA at least 75 days before the initial marketing of the new dietary ingredient. The FDA may determine that a new dietary ingredient notification does not provide an adequate basis to conclude that a dietary ingredient is reasonably expected to be safe. Such a determination could prevent the

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marketing of such dietary ingredient. In 2011, the FDA issued draft guidance governing the notification of new dietary ingredients. Although FDA guidance is not mandatory, and companies are free to use an alternative approach if the approach satisfies the requirements of applicable laws and regulations, FDA guidance is a strong indication of the FDA's "current thinking" on the topic discussed in the guidance, including its position on enforcement. At this time, it is difficult to determine whether the draft guidance, if finalized, would have a material impact on our operations. However, if the FDA were to enforce the applicable statutes and regulations in accordance with the draft guidance as written, such enforcement could require us to incur additional expenses, which could be significant, and negatively impact our business in several ways, including, but not limited to, enjoining the manufacturing of our products until the FDA determines that we are in compliance and can resume manufacturing, increasing our liability and reducing our growth prospects.

The Dietary Supplement Labeling Act of 2013, which was introduced in August 2013 (S142510), would amend the FDC Act to, among other things, (i) require dietary supplement manufacturers to register the dietary supplements that they manufacture with the FDA (and provide a list of the ingredients in and copies of the labels and labeling of the supplements), (ii) mandate the FDA and the Institute of Medicine to identify dietary ingredients that cause potentially serious adverse effects and (iii) require warning statements for dietary supplements containing potentially unsafe ingredients. If the bill is reintroduced and enacted, it could restrict the number of dietary supplements available for sale, increase our costs, liabilities and potential penalties associated with manufacturing and selling dietary supplements, and reduce our growth prospects.

The FDA or other agencies could take actions against products or product ingredients that in its determination present an unreasonable health risk to consumers that would make it illegal for us to sell such products. In addition, the FDA could issue consumer warnings with respect to the products or ingredients in such products that are sold in our stores. Such actions or warnings could be based on information received through FDC Act-mandated reporting of serious adverse events. For example, the FDC Act requires that reports of serious adverse events be submitted to the FDA, and based in part on such reports, in May 2009, the FDA warned consumers to stop using Hydroxycut diet products, which are produced by Iovate Health Sciences, Inc. ("Iovate") and were sold in our stores. Iovate issued a voluntary recall, with which we fully complied. Sales of the recalled Hydroxycut products amounted to approximately $57.8 million, or 4.7% of our retail sales in 2008, and $18.8 million, or 4.2% of our retail sales in the first four months of 2009. Through December 31, 2013, we estimate that we had refunded approximately $3.5 million to our retail customers and approximately $1.6 million to our wholesale customers for Hydroxycut product returns.

As is common in our industry, we rely on our third-party vendors to ensure that the products they manufacture and sell to us comply with all applicable regulatory and legislative requirements. In general, we seek representations and warranties, indemnification and/or insurance from our vendors. However, even with adequate insurance and indemnification, any claims of non-compliance could significantly damage our reputation and consumer confidence in our products. In addition, the failure of such products to comply with applicable regulatory and legislative requirements could prevent us from marketing the products or require us to recall or remove such products from the market, which in certain cases could materially and adversely affect our business, financial condition and results of operations. In the past, we have attempted to offset any losses related to recalls and removals with reformulated or alternative products; however, there can be no assurance that we would be able to offset all or any portion of losses related to any future removal or recall.

The FDC Act permits "statements of nutritional support" to be included in labeling for dietary supplements without FDA pre-market approval. Such statements must be submitted to the FDA within 30 days of marketing. Such statements may describe how a particular dietary ingredient affects the structure, function or general well-being of the body, or the mechanism of action by which a dietary ingredient may affect body structure, function or well-being, but may not expressly or implicitly represent

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that a dietary supplement will diagnose, cure, mitigate, treat or prevent a disease. A company that uses a statement of nutritional support in labeling must possess scientific evidence substantiating that the statement is truthful and not misleading. If the FDA determines that a particular statement of nutritional support is an unacceptable drug claim, conventional food claim or an unauthorized version of a "health claim," or, if the FDA determines that a particular claim is not adequately supported by existing scientific data or is false or misleading, we would be prevented from using the claim.

In addition, DSHEA provides that so-called "third-party literature," e.g., a reprint of a peer-reviewed scientific publication linking a particular dietary ingredient with health benefits, may be used "in connection with the sale of a dietary supplement to consumers" without the literature being subject to regulation as labeling. The literature: (1) must not be false or misleading; (2) may not "promote" a particular manufacturer or brand of dietary supplement; (3) must present a balanced view of the available scientific information on the subject matter; (4) if displayed in an establishment, must be physically separate from the dietary supplements; and (5) should not have appended to it any information by sticker or any other method. If the literature fails to satisfy each of these requirements, we may be prevented from disseminating such literature with our products, and any dissemination could subject our product to regulatory action as an illegal drug.

In June 2007, pursuant to the authority granted by the FDC Act as amended by DSHEA, the FDA published detailed current Good Manufacturing Practice ("cGMP") regulations that govern the manufacturing, packaging, labeling and holding operations of dietary supplement manufacturers. The cGMP regulations, among other things, impose significant recordkeeping requirements on manufacturers. The cGMP requirements are in effect for all manufacturers, and the FDA is conducting inspections of dietary supplement manufacturers pursuant to these requirements. There remains considerable uncertainty with respect to the FDA's interpretation of the regulations and their actual implementation in manufacturing facilities. In addition, the FDA's interpretation of the regulations will likely change over time as the agency becomes more familiar with the industry and the regulations. The failure of a manufacturing facility to comply with the cGMP regulations renders products manufactured in such facility "adulterated," and subjects such products and the manufacturer to a variety of potential FDA enforcement actions. In addition, under the Food Safety Modernization Act ("FSMA"), which was enacted in January 2011, the manufacturing of dietary ingredients contained in dietary supplements will be subject to similar or even more burdensome manufacturing requirements, which will likely increase the costs of dietary ingredients and will subject suppliers of such ingredients to more rigorous inspections and enforcement. The FSMA will also require importers of food, including dietary supplements and dietary ingredients, to conduct verification activities to ensure that the food they might import meets applicable domestic requirements.

The FDA has broad authority to enforce the provisions of federal law applicable to dietary supplements, including powers to issue a public warning or notice of violation letter to a company, publicize information about illegal products, detain products intended for import, require the reporting of serious adverse events, require a recall of illegal or unsafe products from the market, and request the Department of Justice to initiate a seizure action, an injunction action or a criminal prosecution in the United States courts. The FSMA expands the reach and regulatory powers of the FDA with respect to the production and importation of food, including dietary supplements. The expanded reach and regulatory powers include the FDA's ability to order mandatory recalls, administratively detain domestic products, require certification of compliance with domestic requirements for imported foods associated with safety issues and administratively revoke manufacturing facility registrations, effectively enjoining manufacturing of dietary ingredients and dietary supplements without judicial process. The regulation of dietary supplements may increase or become more restrictive in the future.

The FTC exercises jurisdiction over the advertising of dietary supplements and over-the-counter drugs. In recent years, the FTC has instituted numerous enforcement actions against dietary supplement companies for failure to have adequate substantiation for claims made in advertising or for the use of false

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or misleading advertising claims. We continue to be subject to three consent orders issued by the FTC. In 1984, the FTC instituted an investigation of General Nutrition, Incorporated ("GNI"), one of our then existing subsidiaries, alleging deceptive acts and practices in connection with the advertising and marketing of certain of its products. GNI accepted a proposed consent order, under which it agreed to refrain from, among other things, making certain claims with respect to certain of its products unless the claims are based on and substantiated by competent and reliable scientific evidence. We also entered into a consent order in 1970 with the FTC, which generally addressed "iron deficiency anemia" type products. As a result of routine monitoring by the FTC, disputes arose concerning our compliance with these orders and with regard to advertising for certain hair care products. While we believe that GNI, at all times, operated in material compliance with the orders, it entered into a settlement in 1994 with the FTC to avoid protracted litigation. As a part of this settlement, GNI entered into a consent decree and paid, without admitting liability, a civil penalty in the amount of $2.4 million and agreed to adhere to the terms of the 1970 and 1989 consent orders and to abide by the provisions of the settlement document concerning hair care products. We do not believe that future compliance with the outstanding consent decrees will materially affect our business operations.

The FTC continues to monitor our advertising and, from time to time, requests substantiation with respect to such advertising to assess compliance with the various outstanding consent decrees and with the Federal Trade Commission Act. Our policy is to use advertising that complies with the consent decrees and applicable regulations. Nevertheless, there can be no assurance that inadvertent failures to comply with the consent decrees and applicable regulations will not occur.

Some of the products sold by franchise stores are purchased by franchisees directly from other vendors and these products do not flow through our distribution centers. Although franchise contracts contain strict requirements for store operations, including compliance with federal, state and local laws and regulations, we cannot exercise the same degree of control over franchisees as we do over our company-owned stores.

As a result of our efforts to comply with applicable statutes and regulations, we have from time to time reformulated, eliminated or relabeled certain of our products and revised certain provisions of our sales and marketing program.

Foreign

Our products sold in foreign countries are also subject to regulation under various national, local and international laws that include provisions governing, among other things, the formulation, manufacturing, packaging, labeling, advertising and distribution of dietary supplements and over-the-counter drugs. Government regulations in foreign countries may prevent or delay the introduction, or require the reformulation, of certain of our products.

New Legislation or Regulation

Legislation may be introduced which, if passed, would impose substantial new regulatory requirements on dietary supplements. For example, although not yet reintroduced in this session of Congress, bills have been repeatedly proposed in past sessions of Congress which would subject the dietary ingredient dehydroepiandrosterone ("DHEA") to the requirements of the Controlled Substances Act, which would prevent the sale of products containing DHEA. In March 2009, the General Accounting Office (the "GAO") issued a report that made four recommendations to enhance the FDA's oversight of dietary supplements. The GAO recommended that the Secretary of the Department of Health and Human Services direct the Commissioner of the FDA to: (1) request authority to require dietary supplement companies to identify themselves as a dietary supplement company and update this information annually, provide a list of all dietary supplement products they sell and a copy of the labels and update this information annually, and report all adverse events related to dietary supplements, not just serious adverse events; (2) issue guidance to clarify when an ingredient is considered a new dietary ingredient, the evidence needed to document the safety of new dietary ingredients, and appropriate methods for establishing ingredient identity; (3) provide guidance to industry to clarify when products should be marketed as either dietary supplements or conventional foods formulated with added dietary ingredients; and (4) coordinate with stakeholder groups involved in consumer outreach to identify additional mechanisms for educating consumers about the safety, efficacy, and labeling of dietary supplements, implement these mechanisms, and assess their effectiveness. These recommendations could lead to increased regulation by the FDA or future legislation concerning dietary supplements.

We cannot determine what effect additional domestic or international governmental legislation, regulations, or administrative orders, when and if promulgated, would have on our business in the future. New legislation or regulations may require the reformulation of certain products to meet new standards, require the recall or discontinuance of certain products not capable of reformulation, impose additional record keeping or require expanded documentation of the properties of certain products, expanded or different labeling or scientific substantiation.

Franchise Regulation

We must comply with regulations adopted by the FTC and with the laws of several states that regulate the offer and sale of franchises. The FTC's Trade Regulation Rule on Franchising and certain state laws require that we furnish prospective franchisees with a franchise offering circular containing information prescribed by the Trade Regulation Rule on Franchising and applicable state laws and regulations.

We also must comply with a number of state laws that regulate some substantive aspects of the franchisor-franchisee relationship. These laws may limit a franchisor's business practices in a number of ways, including limiting the ability to:

- terminate or not renew a franchise without good cause;
- interfere with the right of free association among franchisees;
- disapprove the transfer of a franchise;
- discriminate among franchisees with regard to franchise terms and charges, royalties and other fees; and
- place new stores near existing franchises.

To date, these laws have not precluded us from seeking franchisees in any given area and have not had a material adverse effect on our operations. Bills concerning the regulation of certain aspects of franchise relationships have been introduced into Congress on several occasions during the last decade, but none have been enacted. Revisions to the FTC rule have also been proposed by the FTC and currently are in the comment stage of the rulemaking process.

Our international franchise agreements and franchise operations are regulated by various foreign laws, rules and regulations. These laws may limit a franchisor's business practices in a number of ways. To date, these laws have not precluded us from seeking franchisees in any given area and have not had a material adverse effect on our operations.

Environmental Compliance

In March 2008, the South Carolina Department of Health and Environmental Control (the "DHEC") requested that we investigate contamination associated with historical activities at our South Carolina facility. These investigations have identified chlorinated solvent impacts in soils and groundwater that extend offsite from our facility. We entered into a Voluntary Cleanup Contract with the DHEC regarding the matter on September 24, 2012. Pursuant to such contract, we will submit a plan for additional

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investigations to the DHEC and will implement the plan upon DHEC's approval. After we complete the investigations to understand the extent of the chlorinated solvent impacts, we will develop appropriate remedial measures for DHEC approval. At this stage of the investigation, however, it is not possible to estimate the timing and extent of any remedial action that may be required, the ultimate cost of remediation, or the amount of our potential liability.

In addition to the foregoing, we are subject to numerous federal, state, local and foreign environmental and health and safety laws and regulations governing its operations, including the handling, transportation and disposal of our non-hazardous and hazardous substances and wastes, as well as emissions and discharges from its operations into the environment, including discharges to air, surface water and groundwater. Failure to comply with such laws and regulations could result in costs for remedial actions, penalties or the imposition of other liabilities. New laws, changes in existing laws or the interpretation thereof, or the development of new facts or changes in their processes could also cause us to incur additional capital and operating expenditures to maintain compliance with environmental laws and regulations and environmental permits. We are also subject to laws and regulations that impose liability and cleanup responsibility for releases of hazardous substances into the environment without regard to fault or knowledge about the condition or action causing the liability. Under certain of these laws and regulations, such liabilities can be imposed for cleanup of previously owned or operated properties, or for properties to which substances or wastes that were sent in connection with current or former operations at its facilities. The presence of contamination from such substances or wastes could also adversely affect our ability to sell or lease our properties, or to use them as collateral for financing. From time to time, we have incurred costs and obligations for correcting environmental and health and safety noncompliance matters and for remediation at or relating to certain of our properties or properties at which our waste has been disposed. However, compliance with the provisions of national, state and local environmental laws and regulations has not had a material effect upon our capital expenditures, earnings, financial position, liquidity or competitive position. We believe we have complied with, and are currently complying with, our environmental obligations pursuant to environmental and health and safety laws and regulations and that any liabilities for noncompliance will not have a material adverse effect on our business, financial performance or cash flows. However, it is difficult to predict future liabilities and obligations, which could be material.

Item 1A. RISK FACTORS.

The following risk factors could cause our financial performance to differ significantly from the goals, plans, objectives, intentions and expectations expressed in this Annual Report. If any of the following risks and uncertainties actually occur, our business, financial condition, results of operations or cash flows could be materially and adversely affected.

Risks Relating to Our Business and Industry

We may not effectively manage our growth, which could materially harm our business.

We expect that our business will continue to grow, which may place a significant strain on our management, personnel, systems and resources. We must continue to improve our operational and financial systems and managerial controls and procedures, and we will need to continue to expand, train and manage our technology and workforce. We must also maintain close coordination among our technology, compliance, accounting, finance, marketing and sales organizations. We cannot assure you that we will manage our growth effectively. If we fail to do so, our business could be materially harmed.

Our continued growth will require an increased investment by us in technology, facilities, personnel and financial and management systems and controls. It also will require expansion of our procedures for monitoring and assuring our compliance with applicable regulations, and we will need to integrate, train and manage a growing employee base. The expansion of our existing businesses, any expansion into new businesses and the resulting growth of our employee base will increase our need for internal audit and monitoring processes that are more extensive and broader in scope than those we have historically required. We may not be successful in identifying or implementing all of the processes that are necessary. Further, unless our growth results in an increase in our revenues that is proportionate to the increase in our costs associated with this growth, our operating margins and profitability will be adversely affected.

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

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

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

We are highly dependent upon consumer perception of the safety and quality of our products and the ingredients they contain, as well as similar products distributed by other companies. Consumer perception of products and the ingredients they contain can be significantly influenced by scientific research or findings, national media attention and other publicity about product use. A product may be received favorably, resulting in high sales associated with that product that may not be sustainable as consumer preferences change. Future scientific research or publicity could be unfavorable to our industry or any of our particular products or the ingredients they contain and may not be consistent with earlier favorable research or publicity. A future research report or publicity that is perceived by our consumers as less favorable or that questions earlier research or publicity could have a material adverse effect on our ability to generate revenues. As such, period-to-period comparisons of our results should not be relied upon as a measure of our future performance. Adverse publicity in the form of published scientific research or otherwise, whether or not accurate, that associates consumption of our products or the ingredients they contain or any other similar products distributed by other companies with illness or other adverse effects, that questions the benefits of our or similar products, or that claims that such products are ineffective could have a material adverse effect on our reputation, the demand for our products, our ability to generate revenues and the market price of our common stock.

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

Our business is particularly subject to changing consumer trends and preferences. Our continued success depends in part on our ability to anticipate and respond to these changes, and we may not be able to respond in a timely or commercially appropriate manner to these changes. If we are unable to do so, our customer relationships and product sales could be harmed significantly.

Furthermore, the nutritional supplements industry is characterized by rapid and frequent changes in demand for products and new product introductions. Our failure to accurately predict these trends could negatively impact consumer opinion of our stores as a source for the latest products. This could harm our customer relationships and cause losses to our market share. The success of our new product offerings depends upon a number of factors, including our ability to: accurately anticipate customer needs; innovate and develop new products; successfully commercialize new products in a timely manner; price our products competitively; manufacture and deliver our products in sufficient volumes and in a timely manner; and differentiate our product offerings from those of our competitors.

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

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

As of December 31, 2013, our total consolidated long-term debt (including current portion) was $1,347.1 million, and we had an additional $128.9 million available under the $130.0 million revolving credit facility (the "Revolving Credit Facility") after giving effect to $1.1 million utilized to secure letters of credit. The Term Loan Facility requires amortization payments in a principal amount equal to $1.1 million quarterly commencing on March 31, 2014.

All of the debt under the Senior Credit Facility bears interest at variable rates. Our unhedged debt is subject to additional interest expense if these rates increase significantly, which could also reduce our ability to borrow additional funds.

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

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

For additional information regarding the interest rates and maturity dates of our existing debt, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources."

We may be able to incur additional debt in the future, including collateralized debt. Although the Senior Credit Facility contains restrictions on the incurrence of additional debt, these restrictions are subject to a number of qualifications and exceptions. If additional debt is added to our current level of debt, the risks described above would increase.

Our ability to continue to access credit on the terms previously obtained for the funding of our operations and capital projects may be limited due to changes in credit markets.

In recent periods, the credit markets and the financial services industry have experienced disruption characterized by the bankruptcy, failure, collapse or sale of various financial institutions, increased volatility in securities prices, diminished liquidity and credit availability and intervention from the United States and other governments. Continued concerns about the systemic impact of potential long-term or widespread downturn, energy costs, geopolitical issues, the availability and cost of credit, the global commercial and residential real estate markets and related mortgage markets and reduced consumer confidence have contributed to increased market volatility. The cost and availability of credit has been and

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may continue to be adversely affected by these conditions. We cannot be certain that funding for our capital needs will be available from our existing financial institutions and the credit markets if needed, and if available, to the extent required and on acceptable terms. The Revolving Credit Facility matures in March 2017. If we cannot renew or refinance this facility upon its maturity or, more generally, obtain funding when needed, in each case on acceptable terms, we may be unable to continue our current rate of growth and store expansion, which may have an adverse effect on our revenues and results of operations.

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

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

If we are unable to meet our obligations with respect to our debt, we could be forced to restructure or refinance our debt, seek equity financing or sell assets. A default on any of our debt obligations could trigger certain acceleration clauses and cause those and our other obligations to become immediately due and payable. Upon an acceleration of any of our debt, we may not be able to make payments under our other outstanding debt.

Restrictions in the agreements governing our existing and future indebtedness may prevent us from taking actions that we believe would be in the best interest of our business.

The agreements governing our existing indebtedness contain and the agreements governing our future indebtedness will likely contain customary restrictions on us or our subsidiaries, including covenants that restrict us or our subsidiaries, as the case may be, from:

- incurring additional indebtedness and issuing preferred stock;
- granting liens on our assets;
- making investments;
- consolidating or merging with, or acquiring, another business;
- selling or otherwise disposing of our assets;
- paying dividends and making other distributions to our stockholders;
- entering into transactions with our affiliates; and
- incurring capital expenditures in excess of limitations set within the agreement.

The Revolving Credit Facility also requires that, to the extent borrowings thereunder (excluding outstanding letters of credit) exceed $25 million, we meet a senior secured debt ratio of consolidated senior secured debt to consolidated earnings before interest, taxes, depreciation and amortization, or EBITDA. If we fail to satisfy such ratio, then we will be restricted from drawing the remaining $105 million of available borrowings under the Revolving Credit Facility, which may impair our liquidity.

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Our ability to comply with these covenants and other provisions of the Senior Credit Facility may be affected by changes in our operating and financial performance, changes in general business and economic conditions, adverse regulatory developments or other events beyond our control. The breach of any of these covenants could result in a default under our debt, which could cause those and other obligations to become immediately due and payable. In addition, these restrictions may prevent us from taking actions that we believe would be in the best interest of our business and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted.

We depend on the services of key executives and changes in our management team could affect our business strategy and adversely impact our performance and results of operations.

Our senior executives are important to our success because they have been instrumental in setting our strategic direction, operating our business, identifying, recruiting and training key personnel, identifying opportunities and arranging necessary financing. Losing the services of any of these individuals could adversely affect our business until a suitable replacement is hired. We believe that our senior executives could not be replaced quickly with executives of equal experience and capabilities. We do not maintain key person life insurance policies on any of our executives.

If our risk management methods are not effective, our business, reputation and financial results may be adversely affected.

We have methods to identify, monitor and manage our risks; however, these methods may not be fully effective. Some of our risk management methods may depend upon evaluation of information regarding markets, customers or other matters that are publicly available or otherwise accessible by us. That information may not in all cases be accurate, complete, up-to-date or properly evaluated. If our methods are not fully effective or we are not successful in monitoring or evaluating the risks to which we are or may be exposed, our business, reputation, financial condition and operating results could be materially and adversely affected. In addition, our insurance policies may not provide adequate coverage.

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

The processing, formulation, safety, manufacturing, packaging, labeling, advertising and distribution of our products are subject to federal laws and regulation by one or more federal agencies, including the FDA, the FTC, the CPSC, the USDA, and the EPA. These activities are also regulated by various state, local and international laws and agencies of the states and localities in which our products are sold. Government regulations may prevent or delay the introduction, or require the reformulation, of our products, which could result in lost revenues and increased costs to us. For instance, the FDA regulates, among other things, the composition, safety, manufacture, labeling and marketing of dietary supplements (including vitamins, minerals, herbs, and other dietary ingredients for human use). The FDA may not accept the evidence of safety for any new dietary ingredient that we may wish to market, may determine that a particular dietary supplement or ingredient presents an unacceptable health risk based on the required submission of serious adverse events or other information, and may determine that a particular claim or statement of nutritional value that we use to support the marketing of a dietary supplement is an impermissible drug claim, is not substantiated, or is an unauthorized version of a "health claim." See Item 1, "Business Government Regulation Product Regulation" for additional information. Any of these actions could prevent us from marketing particular dietary supplement products or making certain claims or statements with respect to those products. The FDA could also require us to remove a particular product from the market. Any future recall or removal would result in additional costs to us, including lost revenues from any products that we are required to remove from the market, any of which could be material. Any product recalls or removals could also lead to an increased risk of litigation and liability, substantial costs, and reduced growth prospects.

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Additional or more stringent laws and regulations of dietary supplements and other products have been considered from time to time. These developments could require reformulation of some products to meet new standards, recalls or discontinuance of some products not able to be reformulated, additional record-keeping requirements, increased documentation of the properties of some products, additional or different labeling, additional scientific substantiation, or other new requirements. Any of these developments could increase our costs significantly.

For example, the Dietary Supplement Labeling Act of 2011, which was introduced in July 2011 (S1310), would amend the FDC Act to, among other things, (i) require dietary supplement manufacturers to register the dietary supplements that they manufacture with the FDA (and provide a list of the ingredients in and copies of the labels and labeling of the supplements), (ii) mandate the FDA and the Institute of Medicine to identify dietary ingredients that cause potentially serious adverse effects, (iii) require warning statements for dietary supplements containing potentially unsafe ingredients and (iv) require that FDA define the term "conventional food". If the bill is reintroduced and enacted, it could restrict the number of dietary supplements available for sale, increase our costs, liabilities and potential penalties associated with manufacturing and selling dietary supplements, and reduce our growth prospects.

In addition, regulators' evolving interpretation of existing laws could have similar effects. For example, in July 2011, the FDA issued draft guidance explaining its interpretation of the requirement for the notification of certain new dietary ingredients. Although FDA guidance is not mandatory, and companies are free to use an alternative approach if the approach satisfies the requirements of applicable laws and regulations, FDA guidance is a strong indication of the FDA's "current thinking" on the topic discussed in the guidance, including its position on enforcement. At this time, it is difficult to determine whether the draft guidance, if finalized, would have a material impact on our operations. However, if the FDA were to enforce the applicable statutes and regulations in accordance with the draft guidance as written, such enforcement could require us to incur additional expenses, which could be significant and have a material adverse effect on our business in several ways, including, but not limited to, enjoining the manufacturing of our products until the FDA determines that we are in compliance and can resume manufacturing, increasing our liability and reducing our growth prospects.

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

The FTC exercises jurisdiction over the advertising of dietary supplements and has instituted numerous enforcement actions against dietary supplement companies, including us, for failure to have adequate substantiation for claims made in advertising or for the use of false or misleading advertising claims. As a result of these enforcement actions, we are currently subject to three consent decrees that limit our ability to make certain claims with respect to our products and required us in the past to pay civil penalties and other amounts in the aggregate amount of $3.0 million. See Item 1, "Business Government Regulation Product Regulation" for more information. Failure by us or our franchisees to comply with the consent decrees and applicable regulations could occur from time to time. Violations of these orders could result in substantial monetary penalties, which could have a material adverse effect on our financial condition or results of operations.

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

As a retailer, distributor and manufacturer of products designed for human consumption, we are subject to product liability claims if the use of our products is alleged to have resulted in injury. Our products consist of vitamins, minerals, herbs and other ingredients that are classified as foods or dietary supplements and are not subject to pre-market regulatory approval in the United States. Our products could contain contaminated substances, and some of our products contain ingredients that do not have

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long histories of human consumption. Previously unknown adverse reactions resulting from human consumption of these ingredients could occur.

In addition, third-party manufacturers produce many of the products we sell. We rely on these manufacturers to ensure the integrity of their ingredients and formulations. As a distributor of products manufactured by third parties, we may also be liable for various product liability claims for products we do not manufacture. Although our purchase agreements with our third-party vendors typically require the vendor to indemnify us to the extent of any such claims, any such indemnification is limited by its terms. Moreover, as a practical matter, any such indemnification is dependent on the creditworthiness of the indemnifying party and its insurer, and the absence of significant defenses by the insurers. We may be unable to obtain full recovery from the insurer or any indemnifying third-party in respect of any claims against us in connection with products manufactured by such third-party.

We have been and may be subject to various product liability claims, including, among others, that our products include inadequate instructions for use or inadequate warnings concerning possible side effects and interactions with other substances. For example, as of December 31, 2013, there were 73 pending lawsuits related to Hydroxycut in which GNC had been named, including 67 individual, largely personal injury claims and 6 putative class action cases. See Item 3, "Legal Proceedings."

Even with adequate insurance and indemnification, product liability claims could significantly damage our reputation and consumer confidence in our products. Our litigation expenses could increase as well, which also could have a material adverse effect on our results of operations even if a product liability claim is unsuccessful or is not fully pursued.

We may experience product recalls, which could reduce our sales and margin and adversely affect our results of operations.

We may be subject to product recalls, withdrawals or seizures if any of the products we formulate, manufacture or sell are believed to cause injury or illness or if we are alleged to have violated governmental regulations in the manufacturing, labeling, promotion, sale or distribution of such products. For example, in May 2009, the FDA warned consumers to stop using Hydroxycut diet products, which are produced by Iovate and were sold in our stores. Iovate issued a voluntary recall, with which we fully complied. Sales of the recalled Hydroxycut products amounted to approximately $57.8 million, or 4.7% of our retail sales in 2008, and $18.8 million, or 4.2% of our retail sales in the first four months of 2009. We provided refunds or gift cards to consumers who returned these products to our stores. In the second quarter of 2009, we experienced a reduction in sales and margin due to this recall as a result of accepting returns of products from customers and a loss of sales as a replacement product was not available. Through December 31, 2013, we estimate that we have refunded approximately $3.5 million to our retail customers and approximately $1.6 million to our wholesale customers for Hydroxycut product returns. Our results of operations may continue to be affected by the Hydroxycut recall. Any additional recall, withdrawal or seizure of any of the products we formulate, manufacture or sell would require significant management attention, would likely result in substantial and unexpected expenditures and could materially and adversely affect our business, financial condition or results of operations. Furthermore, a recall, withdrawal or seizure of any of our products could materially and adversely affect consumer confidence in our brands and decrease demand for our products and the market price of our common stock.

As is common in our industry, we rely on our third-party vendors to ensure that the products they manufacture and sell to us comply with all applicable regulatory and legislative requirements as well as the integrity of ingredients and proper formulation. In general, we seek representations and warranties, indemnification and/or insurance from our vendors. However, even with adequate insurance and indemnification, any claims of non-compliance could significantly damage our reputation and consumer confidence in our products, and materially and adversely affect the market price of our common stock. In addition, the failure of such products to comply with the representations and warranties regarding such products we receive from our third-party vendors, including compliance with applicable regulatory and legislative requirements, could prevent us from marketing the products or require us to recall or remove such products from the market, which in certain cases could materially and adversely affect our business, financial condition and results of operation. In the past, due to frequently changing consumer preferences in the dietary supplement space, we have offset losses related to recalls and removals with reformulated or alternative products; however, there can be no assurance that we would be able to offset all or any portion of losses related to any future removal or recall. As a result of the indeterminable level of product substitution and reformulated product sales, we cannot reliably determine the potential impact of any such recall or removal on our business, financial condition or results of operation.

Our operations are subject to environmental and health and safety laws and regulations that may increase our cost of operations or expose us to environmental liabilities.

Our operations are subject to environmental and health and safety laws and regulations, and some of our operations require environmental permits and controls to prevent and limit pollution of the environment. We could incur significant costs as a result of violations of, or liabilities under, environmental laws and regulations, or to maintain compliance with such environmental laws, regulations or permit requirements. For example, in March 2008, the DHEC requested that we investigate contamination associated with historical activities at one of our South Carolina facilities. These investigations have identified chlorinated solvent impacts in soils and groundwater that extend offsite from our facility. We entered into a Voluntary Cleanup Contract with the DHEC regarding the matter on September 24, 2012. Pursuant to such contract, we will submit a plan for additional investigations to the DHEC and will implement the plan upon DHEC's approval. After we complete the investigations to understand the extent of the chlorinated solvent impacts, we will develop appropriate remedial measures for DHEC approval. At this stage of the investigation, however, it is not possible to estimate the timing and extent of any remedial action that may be required, the ultimate cost of remediation, or the amount of our potential liability.

In addition to the foregoing, we are subject to numerous federal, state, local and foreign environmental and health and safety laws and regulations governing our operations, including the handling, transportation and disposal of our non-hazardous and hazardous substances and wastes, as well as emissions and discharges from its operations into the environment, including discharges to air, surface water and groundwater. Failure to comply with such laws and regulations could result in costs for remedial actions, penalties or the imposition of other liabilities. New laws, changes in existing laws or the interpretation thereof, or the development of new facts or changes in their processes could also cause us to incur additional capital and operating expenditures to maintain compliance with environmental laws and regulations and environmental permits. We also are subject to laws and regulations that impose liability and cleanup responsibility for releases of hazardous substances into the environment without regard to fault or knowledge about the condition or action causing the liability. Under certain of these laws and regulations, such liabilities can be imposed for cleanup of previously owned or operated properties, or for properties to which substances or wastes that were sent in connection with current or former operations at its facilities. The presence of contamination from such substances or wastes could also adversely affect our ability to sell or lease our properties, or to use them as collateral for financing.

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

We have procured insurance independently for the following areas: (1) general liability; (2) product liability; (3) directors and officers liability; (4) property insurance; (5) workers' compensation insurance; and (6) various other areas. In addition, although we believe that we will continue to be able to obtain insurance in these areas in the future, because of increased selectivity by insurance providers, we may only be able to obtain such insurance at increased rates and/or with reduced coverage levels. Furthermore, we are self-insured for other areas, including: (1) medical benefits; (2) physical damage to our vehicles for

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field personnel use; and (3) physical damages that may occur at company-owned stores. We are not insured for some property and casualty risks due to the frequency and severity of a loss, the cost of insurance and the overall risk analysis. In addition, we carry product liability insurance coverage that requires us to pay deductibles/retentions with primary and excess liability coverage above the retention amount. Because of our deductibles and self-insured retention amounts, we have significant exposure to fluctuations in the number and severity of claims. We currently maintain product liability insurance with a retention of $4.0 million per claim with an aggregate cap on retained loss of $10.0 million. We could raise our deductibles/retentions, which would increase our already significant exposure to expense from claims. If any claim exceeds our coverage, we would bear the excess expense, in addition to our other self-insured amounts. If the frequency or severity of claims or our expenses increase, our operating income and profitability could be materially and adversely affected.

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

Our manufacturing operations produced approximately 31% and 32% of the products we sold for the years ended December 31, 2013 and 2012, respectively. Other than powders and liquids, nearly all of our proprietary products are produced in our manufacturing facility located in Greenville, South Carolina. In 2013, no one vendor supplied more than 10% of our raw materials. In the event any of our third-party suppliers or vendors becomes unable or unwilling to continue to provide raw materials in the required volumes and quality levels or in a timely manner, we would be required to identify and obtain acceptable replacement supply sources. If we are unable to identify and obtain alternative supply sources, our business could be adversely affected. Any significant disruption in our operations at our Greenville, South Carolina facility for any reason, including regulatory requirements, an FDA determination that the facility is not in compliance with the cGMP regulations, the loss of certifications, power interruptions, fires, hurricanes, war or other force of nature, could disrupt our supply of products, adversely affecting our sales and customer relationships.

An increase in the price and shortage of supply of key raw materials could adversely affect our business.

Our products are composed of certain key raw materials. If the prices of these raw materials were to increase significantly, it could result in a significant increase to us in the prices our contract manufacturers and third-party manufacturers charge us for our GNC-branded products and third-party products. Raw material prices may increase in the future and we may not be able to pass on such increases to our customers. A significant increase in the price of raw materials that cannot be passed on to customers could have a material adverse effect on our results of operations and financial condition. In addition, if we no longer are able to obtain products from one or more of our suppliers on terms reasonable to us or at all, our revenues could suffer. Events such as the threat of political or social unrest, or the perceived threat thereof, may also have a significant impact on raw material prices and transportation costs for our products. In addition, the interruption in supply of certain key raw materials essential to the manufacturing of our products may have an adverse impact on our suppliers' ability to provide us with the necessary products needed to maintain our customer relationships and an adequate level of sales.

A significant disruption to our distribution network or to the timely receipt of inventory could adversely impact sales or increase our transportation costs, which would decrease our profits.

We rely on our ability to replenish depleted inventory in our stores through deliveries to our distribution centers from vendors and then from the distribution centers or direct ship vendors to our stores by various means of transportation, including shipments by sea and truck. Unexpected delays in those deliveries or increases in transportation costs (including through increased fuel costs) could significantly decrease our ability to make sales and earn profits. In addition, labor shortages in the

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transportation industry or long-term disruptions to the national and international transportation infrastructure that lead to delays or interruptions of deliveries could negatively affect our business.

If we fail to protect our brand name, competitors may adopt trade names that dilute the value of our brand name, and prosecuting or defending infringement claims could cause us to incur significant expenses or prevent us from manufacturing, selling or using some aspect of our products, which could adversely affect our revenues and market share.

We have invested significant resources to promote our GNC brand name in order to obtain the public recognition that we have today. Because of the differences in foreign trademark laws concerning proprietary rights, our trademarks may not receive the same degree of protection in foreign countries as they do in the United States. Also, we may not always be able to successfully enforce our trademarks against competitors or against challenges by others. For example, third parties are challenging our "GNC Live Well" trademark in foreign jurisdictions. Our failure to successfully protect our trademarks could diminish the value and effectiveness of our past and future marketing efforts and could cause customer confusion. This could in turn adversely affect our revenues, profitability and the market price of our common stock.

We are currently and may in the future be subject to intellectual property litigation and infringement claims, which could cause us to incur significant expenses or prevent us from manufacturing, selling or using some aspect of our products. Claims of intellectual property infringement also may require us to enter into costly royalty or license agreements. However, we may be unable to obtain royalty or license agreements on terms acceptable to us or at all. Claims that our technology or products infringe on intellectual property rights could be costly and would divert the attention of management and key personnel, which in turn could adversely affect our revenues and profitability.

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

As of December 31, 2013 and 2012, approximately 35% and 34%, respectively, of our retail locations were operated by franchisees. Our franchise operations generated approximately 17% of our revenues for each of the years ended December 31, 2013 and 2012. Our revenues from franchise stores depend on the franchisees' ability to operate their stores profitably and adhere to our franchise standards. In the twelve months ended December 31, 2013, 83 domestic franchise stores were opened and 20 were closed. The closing of franchise stores or the failure of franchisees to comply with our policies could adversely affect our reputation and could reduce the amount of our franchise revenues. These factors could have a material adverse effect on our revenues and operating income.

If we are unable to attract new franchisees or to convince existing franchisees to open additional stores, any growth in royalties from franchise stores will depend solely upon increases in revenues at existing franchise stores. In addition, our ability to open additional franchise locations is limited by the territorial restrictions in our existing franchise agreements as well as our ability to identify additional markets in the United States and other countries. If we are unable to open additional franchise locations, we will have to sustain additional growth internally by attracting new and repeat customers to our existing locations.

Franchisee support of our marketing and advertising programs is critical to our success.

The support of our franchisees is critical for the success of our marketing programs and other strategic initiatives we seek to undertake, and the successful execution of these initiatives will depend on our ability to maintain alignment with our franchisees. While we can mandate certain strategic initiatives through enforcement of our franchise agreements, we need the active support of our franchisees if the implementation of these initiatives is to be successful. In addition, our efforts to build alignment with franchisees may result in a delay in the implementation of our marketing and advertising programs and other key initiatives. Although we believe that our current relationships with our franchisees are generally good, there can be no assurance that our franchisees will continue to support our marketing programs and strategic initiatives. The failure of our franchisees to support our marketing programs and strategic initiatives could adversely affect our ability to implement our business strategy and could materially harm our business, results of operations and financial condition.

Our franchisees are independent operators and we have limited influence over their operations.

Our revenues substantially depend upon our franchisees' sales volumes, profitability and financial viability. However, our franchisees are independent operators and we cannot control many factors that impact the profitability of their stores. Pursuant to the franchise agreements, we can, among other things, mandate signage, equipment and hours of operation, establish operating procedures and approve suppliers, distributors and products. However, the quality of franchise store operations may be diminished by any number of factors beyond our control. Consequently, franchisees may not successfully operate stores in a manner consistent with our standards and requirements or standards set by federal, state and local governmental laws and regulations. In addition, franchisees may not hire and train qualified managers and other personnel. While we ultimately can take action to terminate franchisees that do not comply with the standards contained in our franchise agreements, any delay in identifying and addressing problems could harm our image and reputation, and our franchise revenues and results of operations could decline.

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

Our franchise activities are subject to federal, state and international laws regulating the offer and sale of franchises and the governance of our franchise relationships. These laws impose registration, extensive disclosure requirements and bonding requirements on the offer and sale of franchises. In some jurisdictions, the laws relating to the governance of our franchise relationship impose fair dealing standards during the term of the franchise relationship and limitations on our ability to terminate or refuse to renew a franchise. We may, therefore, be required to retain an under-performing franchise and may be unable to replace the franchisee, which could adversely impact franchise revenues. In addition, we cannot predict the nature and effect of any future legislation or regulation on our franchise operations.

We have limited influence over the decision of franchisees to invest in other businesses or incur excessive indebtedness.

Our franchisees are independent operators and, therefore, we have limited influence over their ability to invest in other businesses or incur excessive indebtedness. In some cases, these franchisees have used the cash generated by their stores to expand their other businesses or to subsidize losses incurred by such businesses. Additionally, as independent operators, franchisees do not require our consent to incur indebtedness. Consequently, our franchisees have in the past, and may in the future, experience financial distress as a result of over leveraging. To the extent that our franchisees use the cash from their stores to subsidize their other businesses or experience financial distress, due to over-leverage or otherwise, it could negatively affect (1) our operating results as a result of delayed or reduced payments of royalties, advertising fund contributions and rents for properties we lease to them, (2) our future revenue, earnings and cash flow growth and (3) our financial condition. In addition, lenders that are adversely affected by franchisees who default on their indebtedness may be less likely to provide current or prospective franchisees necessary financing on favorable terms or at all.

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If we cannot open new company-owned stores on schedule and profitably, our planned future growth will be impeded, which would adversely affect sales and profitability.

Our growth is dependent on both increases in sales in existing stores and the ability to open profitable new stores. Increases in sales in existing stores are dependent on factors such as competition, store operations and other factors discussed in these Risk Factors. Our ability to timely open new stores and to expand into additional market areas depends in part on the following factors: the availability of attractive store locations; the absence of occupancy delays; the ability to negotiate acceptable lease terms; the ability to identify customer demand in different geographic areas; the hiring, training and retention of competent sales personnel; the effective management of inventory to meet the needs of new and existing stores on a timely basis; general economic conditions; and the availability of sufficient funds for expansion. Many of these factors are beyond our control. Delays or failures in opening new stores, achieving lower than expected sales in new stores or drawing a greater than expected proportion of sales in new stores from our existing stores, could materially adversely affect our growth and profitability. In addition, we may not anticipate all of the challenges imposed by the expansion of our operations and, as a result, may not meet our targets for opening new stores, remodeling or relocating stores or expanding profitably.

Some of our new stores may be located in areas where we have little or no meaningful experience or brand recognition. Those markets may have different competitive conditions, market conditions, consumer tastes and discretionary spending patterns than our existing markets, which may cause our new stores to be less successful than stores in our existing markets. Alternatively, many of our new stores will be located in areas where we have existing stores. Although we have experience in these markets, increasing the number of locations in these markets may result in inadvertent over-saturation of markets and temporarily or permanently divert customers and sales from our existing stores, thereby adversely affecting our overall financial performance.

Our operating results and financial condition could be adversely affected by the financial and operational performance of Rite Aid.

As of December 31, 2013, Rite Aid operated 2,215 GNC franchise store-within-a-store locations and has committed to open additional franchise store-within-a-store locations. Revenue from sales to Rite Aid (including license fee revenue for new store openings) represented less than 3% of total revenue for the year ended December 31, 2013. Any liquidity and operational issues that Rite Aid may experience could impair its ability to fulfill its obligations and commitments to us, which would adversely affect our operating results and financial condition.

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

As of December 31, 2013, we had 172 company-owned Canadian stores and 2,024 international franchise stores in over 50 international countries (including distribution centers where retail sales are made). We derived 12.0% and 11.5% of our revenues for the years ended December 31, 2013 and 2012, respectively, from our international operations. As part of our business strategy, we intend to expand our international franchise presence. Our international operations are subject to a number of risks inherent to operating in foreign countries, and any expansion of our international operations will increase the effects of these risks. These risks include, among others:

- political and economic instability of foreign markets;
- foreign governments' restrictive trade policies;
- inconsistent product regulation or sudden policy changes by foreign agencies or governments;
- the imposition of, or increase in, duties, taxes, government royalties or non-tariff trade barriers;

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- difficulty in collecting international accounts receivable and potentially longer payment cycles;
- difficulty of enforcing contractual obligations of foreign franchisees;
- increased costs in maintaining international franchise and marketing efforts;
- problems entering international markets with different cultural bases and consumer preferences;
- compliance with laws and regulations applicable to international operations, such as the Foreign Corrupt Practices Act and regulations promulgated by the Office of Foreign Asset Control;
- fluctuations in foreign currency exchange rates; and
- operating in new, developing or other markets in which there are significant uncertainties regarding the interpretation, application and enforceability of laws and regulations relating to contract and intellectual property rights.

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

We may be unable to successfully expand our operations into new international markets.

If the opportunity arises, we may expand our operations into new and high-growth international markets. However, there is no assurance that we will expand our operations in such markets in our desired time frame. To expand our operations into new international markets, we may enter into business combination transactions, make acquisitions or enter into strategic partnerships, joint ventures or alliances, any of which may be material. We may enter into these transactions to acquire other businesses or products to expand our products or take advantage of new developments and potential changes in the industry. Our lack of experience operating in new international markets and our lack of familiarity with local economic, political and regulatory systems could prevent us from achieving the results that we expect on our anticipated timeframe or at all. If we are unsuccessful in expanding into new or high-growth international markets, it could adversely affect our operating results and financial condition.

Our network and communications systems are dependent on third-party providers and are vulnerable to system interruption and damage, which could limit our ability to operate our business and could have a material adverse effect on our business, financial condition or results of operations.

Our systems and operations and those of our third-party internet service providers are vulnerable to damage or interruption from fire, flood, earthquakes, power loss, server failure, telecommunications and Internet service failure, acts of war or terrorism, computer viruses and denial-of-service attacks, physical or electronic breaches, sabotage, human error and similar events. Any of these events could lead to system interruptions, processing and order fulfillment delays and loss of critical data for us, our suppliers or our Internet service providers, and could prevent us from processing customer purchases. Any significant interruption in the availability or functionality of our website or our customer processing, distribution or communications systems, for any reason, could seriously harm our business, financial condition and operating results. The occurrence of any of these factors could have a material adverse effect on our business, financial condition or results of operations.

Because we are dependent on third-party service providers for the implementation and maintenance of certain aspects of our systems and operations and because some of the causes of system interruptions may be outside of our control, we may not be able to remedy such interruptions in a timely manner, if at all. As we rely on our third-party service providers, computer and communications systems and the Internet to conduct our business, any system disruptions could have a material adverse effect on our business, financial condition or results of operations.

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We must successfully maintain and/or upgrade our information technology systems, and our failure to do so could have a material adverse effect on our business, financial condition or results of operations.

We rely on various information technology systems to manage our operations. Over the last several years we have implemented, and we continue to implement, modifications and upgrades to such systems, including changes to legacy systems, replacing legacy systems with successor systems with new functionality, and acquiring new systems with new functionality. These types of activities subject us to inherent costs and risks associated with replacing and changing these systems, including impairment of our ability to fulfill customer orders, potential disruption of our internal control structure, substantial capital expenditures, additional administration and operating expenses, retention of sufficiently skilled personnel to implement and operate the new systems, demands on management time and other risks and costs of delays or difficulties in transitioning to or integrating new systems into our current systems. These implementations, modifications and upgrades may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. In addition, the difficulties with implementing new technology systems may cause disruptions in our business operations and have a material adverse effect on our business, financial condition or results of operations.

Privacy protection is increasingly demanding, and we may be exposed to risks and costs associated with security breaches, data loss, credit card fraud and identity theft that could cause us to incur unexpected expenses and loss of revenue as well as other risks.

The protection of customer, employee, vendor, franchisee and other business data is critical to us. Federal, state, provincial and international laws and regulations govern the collection, retention, sharing and security of data that we receive from and about our employees, customers, vendors and franchisees. The regulatory environment surrounding information security and privacy has been increasingly demanding in recent years, and may see the imposition of new and additional requirements by states and the federal government as well as foreign jurisdictions in which we do business. Compliance with these requirements may result in cost increases due to necessary systems changes and the development of new processes to meet these requirements by us and our franchisees. In addition, customers and franchisees have a high expectation that we will adequately protect their personal information. If we or our service provider fail to comply with these laws and regulations or experience a significant breach of customer, employee, vendor, franchisee or other company data, our reputation could be damaged and result in an increase in service charges, suspension of service, lost sales, fines or lawsuits.

The use of credit payment systems makes us more susceptible to a risk of loss in connection with these issues, particularly with respect to an external security breach of customer information that we or third parties (including those with whom we have strategic alliances) under arrangements with us control. A significant portion of our sales require the collection of certain customer data, such as credit card information. In order for our sales channel to function, we and other parties involved in processing customer transactions must be able to transmit confidential information, including credit card information, securely over public networks. In the event of a security breach, theft, leakage, accidental release or other illegal activity with respect to employee, customer, vendor, franchisee third-party, with whom we have strategic alliances or other company data, we could become subject to various claims, including those arising out of thefts and fraudulent transactions, and may also result in the suspension of credit card services. This could cause consumers to lose confidence in our security measures, harm our reputation as well as divert management attention and expose us to potentially unreserved claims and litigation. Any loss in connection with these types of claims could be substantial. In addition, if our electronic payment systems are damaged or cease to function properly, we may have to make significant investments to fix or replace them, and we may suffer interruptions in our operations in the interim. In addition, we are reliant on these systems, not only to protect the security of the information stored, but also to appropriately track and record data. Any failures or inadequacies in these systems could expose us to significant unreserved losses,

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which could materially and adversely affect our earnings and the market price of our our common stock. Our brand reputation would likely be damaged as well.

Complying with recently enacted healthcare reform legislation could increase our costs and have a material adverse effect on our business, financial condition or results of operations.

Recently enacted healthcare reform legislation could significantly increase our costs and have a material adverse effect on our business, financial condition and results of operations by requiring us either to provide health insurance coverage to our employees or to pay certain penalties for electing not to provide such coverage. Because these new requirements are broad, complex, subject to certain phase-in rules and may be challenged by legal actions in the coming months and years, it is difficult to predict the ultimate impact that this legislation will have on our business and operating costs. We cannot assure you that this legislation or any alternative version that may ultimately be implemented will not materially increase our operating costs. This legislation could also adversely affect our employee relations and ability to compete for new employees if our response to this legislation is considered less favorable than the responses or health benefits offered by employers with whom we compete for talent.

General economic conditions, including a prolonged weakness in the economy, may affect consumer purchases, which could adversely affect our sales and the sales of our business partners.

Our results, and those of our business partners to whom we sell, are dependent on a number of factors impacting consumer spending, including general economic and business conditions; consumer confidence; wages and employment levels; the housing market; consumer debt levels; availability of consumer credit; credit and interest rates; fuel and energy costs; energy shortages; taxes; general political conditions, both domestic and abroad; and the level of customer traffic within department stores, malls and other shopping and selling environments. Consumer product purchases, including purchases of our products, may decline during recessionary periods. A prolonged downturn or an uncertain outlook in the economy may materially adversely affect our business, revenues and profits and the market price of our common stock.

Natural disasters (whether or not caused by climate change), unusually adverse weather conditions, pandemic outbreaks, terrorist acts and global political events could cause permanent or temporary distribution center or store closures, impair our ability to purchase, receive or replenish inventory or cause customer traffic to decline, all of which could result in lost sales and otherwise adversely affect our financial performance.

The occurrence of one or more natural disasters, such as hurricanes, fires, floods and earthquakes (whether or not caused by climate change), unusually adverse weather conditions, pandemic outbreaks, terrorist acts or disruptive global political events, such as civil unrest in countries in which our suppliers are located, or similar disruptions could adversely affect our operations and financial performance. To the extent these events result in the closure of one or more of our distribution centers, a significant number of stores, a manufacturing facility or our corporate headquarters, or impact one or more of our key suppliers, our operations and financial performance could be materially adversely affected through an inability to make deliveries to our stores and through lost sales. In addition, these events could result in increases in fuel (or other energy) prices or a fuel shortage, delays in opening new stores, the temporary lack of an adequate work force in a market, the temporary or long-term disruption in the supply of products from some local and overseas suppliers, the temporary disruption in the transport of goods from overseas, delay in the delivery of goods to our distribution centers or stores, the temporary reduction in the availability of products in our stores and disruption to our information systems. These events also could have indirect consequences, such as increases in the cost of insurance, if they were to result in significant loss of property or other insurable damage.

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

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

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES.

As of December 31, 2013, there were 8,593 GNC store locations globally (including distribution centers where retail sales are made). In our Retail segment, all but one of our company-owned stores are located on leased premises that typically range in size from 1,000 to 2,000 square feet. In our Franchise segment, primarily all of our franchise stores in the United States are located on premises we lease and then sublease to our respective franchisees. All of our franchise stores in the international markets are owned or leased directly by our franchisees. No single store is material to our operations.

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As of December 31, 2013, our company-owned and franchise stores in the United States and Canada (excluding store-within-a-store locations) and our other international franchise stores consisted of:

United States and Canada	Company-Owned Retail	Franchise	International	Franchise*
Alabama	35	12	Aruba	1
Alaska	14	3	Australia	31
Arizona	63	6	Azerbaijan	1
Arkansas	21	4	Bahamas	3
California	279	132	Bahrain	3
Colorado	72	11	Bangladesh	1
Connecticut	44	4	Bolivia	20
Delaware	16	3	Brazil	15
District of Columbia	7	1	Brunei	3
Florida	264	96	Bulgaria	4
Georgia	105	45	Cayman Islands	2
Hawaii	25	0	Chile	169
Idaho	10	3	China	2
Illinois	113	60	Colombia	1
Indiana	63	23	Costa Rica	34
Iowa	28	4	Cyprus	4
Kansas	32	7	El Salvador	11
Kentucky	40	8	Finland	1
Louisiana	43	12	Guam	2
Maine	11	0	Guatemala	44
Maryland	60	24	Honduras	9
Massachusetts	74	6	Hong Kong	67
Michigan	85	36	India	77
Minnesota	67	15	Indonesia	50
Mississippi	21	16	Kuwait	4
Missouri	54	19	Latvia	1
Montana	7	4	Lebanon	10
Nebraska	12	9	Lithuania	1
Nevada	24	9	Malaysia	85
New Hampshire	18	6	Mexico	651
New Jersey	95	48	Mongolia	7
New Mexico	21	2	Nigeria	7
New York	201	46	Oman	3
North Carolina	117	24	Pakistan	7
North Dakota	10	0	Panama	17
Ohio	121	44	Paraguay	1
Oklahoma	28	14	Peru	87
Oregon	38	5	Philippines	35
Pennsylvania	169	34	Qatar	5
Puerto Rico	33	0	Romania	4
Rhode Island	14	0	Saudi Arabia	49
South Carolina	39	25	Singapore	64
South Dakota	8	1	South Korea	175
Tennessee	47	25	Spain	15
Texas	221	116	Taiwan	46
Utah	33	7	Thailand	35
Vermont	5	0	Trinidad	5
Virginia	98	23	Turkey	89
Washington	63	14	Turks & Caicos	1
West Virginia	21	3	UAE	11
Wisconsin	72	3	Ukraine	1
Wyoming	9	0	Venezuela	40
Canada	172	0	Vietnam	13
Total	3,342	1,012	**Total**	2,024

* includes distribution centers where retail sales are made and retail stores in China

In our Manufacturing/Wholesale segment, there are 2,215 GNC franchise "store-within-a-store" locations under our strategic alliance with Rite Aid. Also, in our Manufacturing/Wholesale segment, we lease facilities for manufacturing, packaging, warehousing and distribution operations. We manufacture a majority of our proprietary products at an approximately 300,000 square foot facility in Greenville, South Carolina. We also lease an approximately 630,000 square foot complex located in Anderson, South Carolina, for packaging, materials receipt, lab testing, warehousing and distribution. Both the Greenville and Anderson facilities are leased on a long-term basis pursuant to "fee-in-lieu-of-taxes" arrangements with the counties in which the facilities are located, but we retain the right to purchase each of the facilities at any time during the lease for $1.00, subject to a loss of tax benefits. We lease an approximately 217,000 square foot distribution center in Leetsdale, Pennsylvania and a 112,000 square foot distribution center in Phoenix, Arizona. During 2013, we signed a lease for a 350,000 square foot distribution center near Indianapolis, Indiana, which will be operational at the end of 2014. We also lease space at a distribution center in Canada.

We lease an approximately 60,000 square foot distribution center near our current distribution center in Leetsdale, Pennsylvania where the distribution of LuckyVitamin.com products is fulfilled.

In conjunction with the acquisition of DiscountSupplements.com, we lease an approximately 24,000 square foot facility in Braintree, Essex, U.K where DiscountSupplements.com maintains its corporate headquarters and fulfills the distribution of its products. During 2013, an additional 7,800 square feet were added to provide capacity for inventory.

We own our 253,000 square foot corporate headquarters located in Pittsburgh, Pennsylvania. We lease four small regional sales offices in Fort Lauderdale, Florida, Tustin, California, Mississauga, Ontario, and Shanghai, China. None of the regional sales offices is larger than 6,500 square feet.

Item 3. LEGAL PROCEEDINGS.

We are engaged in various legal actions, claims and proceedings arising in the normal course of business, including claims related to breach of contracts, products liabilities, intellectual property matters and employment-related matters resulting from our business activities.

We record accruals for outstanding legal matters when we believe that it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. We evaluate, on a quarterly basis, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and estimable, we do not establish an accrued liability. Currently, none of our accruals for outstanding legal matters are material individually or in the aggregate to our financial position. However, if we ultimately are required to make a payment in connection with an adverse outcome in any of the matters discussed below, it is possible that it could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Our contingencies are subject to substantial uncertainties, including for each such contingency the following, among other factors: (i) the procedural status of the case; (ii) whether the case has or may be certified as a class action suit; (iii) the outcome of preliminary motions; (iv) the impact of discovery; (v) whether there are significant factual issues to be determined or resolved; (vi) whether the proceedings involve a large number of parties and/or parties and claims in multiple jurisdictions or jurisdictions in which the relevant laws are complex or unclear; (vii) the extent of potential damages, which are often unspecified or indeterminate; and (viii) the status of settlement discussions, if any, and the settlement posture of the parties. Consequently, except as otherwise noted below with regard to a particular matter, we cannot predict with any reasonable certainty the timing or outcome of the legal matters described below, and we are unable to estimate a possible loss or range of loss.

As a manufacturer and retailer of nutritional supplements and other consumer products that are ingested by consumers or applied to their bodies, we have been and are currently subjected to various product liability claims. Although the effects of these claims to date have not been material to us, it is possible that current and future product liability claims could have a material adverse effect on our business or financial condition, results of operations or cash flows. We currently maintain product liability insurance with a deductible/retention of $4.0 million per claim with an aggregate cap on retained loss of

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$10.0 million. We typically seek and have obtained contractual indemnification from most parties that supply raw materials for our products or that manufacture or market products we sell. We also typically seek to be added, and have been added, as an additional insured under most of such parties' insurance policies. We are also entitled to indemnification by Numico for certain losses arising from claims related to products containing ephedra or Kava Kava sold prior to December 5, 2003. However, any such indemnification or insurance is limited by its terms and any such indemnification, as a practical matter, is limited to the creditworthiness of the indemnifying party and its insurer, and the absence of significant defenses by the insurers. Consequently, we may incur material products liability claims, which could increase our costs and adversely affect our reputation, revenue and operating income.

Hydroxycut Claims. On May 1, 2009, the FDA issued a warning on several Hydroxycut-branded products manufactured by Iovate Health Sciences U.S.A., Inc. ("Iovate") based on 23 reports of liver injuries from consumers who claimed to have used the products between 2002 and 2009. As a result, Iovate voluntarily recalled 14 Hydroxycut-branded products.

Following the recall, we were named, among other defendants, in approximately 93 lawsuits related to Hydroxycut-branded products in 14 states. Iovate previously accepted our tender request for defense and indemnification under its purchasing agreement with us in these matters. Our ability to obtain full recovery in respect of any claims against us in connection with products manufactured by Iovate under the indemnity is dependent on Iovate's insurance coverage, the creditworthiness of its insurer, and the absence of significant defenses by such insurer. To the extent we are not fully compensated by Iovate's insurer, we can seek recovery directly from Iovate. Our ability to fully recover such amounts may be limited by the creditworthiness of Iovate.

As of December 31, 2013, there were 73 pending lawsuits related to Hydroxycut in which we had been named: 67 individual, largely personal injury claims and six putative class action cases, generally inclusive of claims of consumer fraud, misrepresentation, strict liability and breach of warranty.

The United States Judicial Panel on Multidistrict Litigation consolidated pretrial proceedings of many of the pending actions in the Southern District of California (In re: Hydroxycut Marketing and Sales Practices Litigation, MDL No. 2087). The parties in the consolidated class actions reached a settlement, but the Court denied approval of that settlement in October 2013. The parties have since reached a revised settlement, which remains subject to Court approval. We are not required to make any payments under the current settlement agreement.

In May 2013, the parties to the individual personal injury cases signed a Master Settlement Agreement, under which we are not required to make any payments. The Master Settlement Agreement required the individual plaintiffs to sign and deliver a release by September 23, 2013. Certain Plaintiffs failed to comply with this requirement and were afforded additional time to comply by the Court. On February 10, 2014, the Court entered an order to show cause compelling the remaining non-compliant plaintiffs to present evidence as to why their claims should not be dismissed. Once all of the releases have been signed (or the Court has dismissed the claims of any remaining non-compliant plaintiffs), the settlement will be funded and the cases dismissed. We currently expect that the dismissals will be entered by the end of March 2014. Following resolution of the individual personal injury cases and the settlement of the consolidated class action suits, all of the Hydroxycut claims currently pending against us will be resolved without any payment by us.

DMAA Claims. Prior to December 2013, we sold products manufactured by third parties that contained derivatives from geranium known as 1.3-dimethylpentylamine/ dimethylamylamine/ 13-dimethylamylamine, or "DMAA," which were recalled from our stores in November 2013. As of

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February 14, 2014, we were named in the following 16 lawsuits involving products containing DMAA, including 13 personal injury cases and three putative class action cases:

Personal Injury Claims:

Shirley Davila Trustee Ad Litem for the Estate of Jessica Davila v. General Nutrition Centers, Inc. and USPLabs, Court of the Common Pleas of Philadelphia County, PA (Case No.12-0602113), filed June 18, 2012

Leanne Sparling and Michael Sparling on behalf of Michael Sparling, deceased v. USPLabs, GNC Corporation, et al. Superior Court of California, County of San Diego (Case No. 2013-00034663-CU-PL-CTL), filed February 13, 2013

Justin Carolyne, et al. v. USPLabs, GNC Corporation, et al. Superior Court of California, County of Los Angeles (Case No. BC508212), filed May 22, 2013

Walid Nassar v. Manar Hanna MD., et al, USP Labs, General Nutrition Corporation Superior Court of New Jersey, Monmouth Law Division (Case No. MONL319313), filed September 26, 2013

Everine Van Huoten vs. USPLabs, LLC and GNC Holdings, United States District Court for the District of Hawaii (Case No. 13 CV 00635 LEK KSC), filed November 19, 2013

Jeremy Reed, Timothy Anderson, Dan Anderson, Nadia Black, et al. v. USPLabs, LLC, et al., GNC, Superior Court for California, County of San Diego (Case No. 37-2013-00074052-CU-PL-CTL), filed November 1, 2013

Kenneth Waikiki v. USP Labs, Doyle, Geissler, USP Labs OxyElite, LLC, et al. and GNC Corporation, et al., United States District Court for the District of Hawaii (Case No. 3-00639 DMK), filed November 21, 2013

Nicholas Akau v. USPLabs, GNC Corporation, et al., United States District Court for the District of Hawaii (Case No. CV 14-00029), filed January 23, 2014

Malissa Igafo v. USPLabs, GNC Corporation, et al., United States District Court for the District of Hawaii (Case No. CV 14-00030), filed January 23, 2013

Calvin Ishihara v. USPLabs, GNC Corporation, et al., United States District Court for the District of Hawaii (Case No. CV 14-00031), filed January 23, 2014

Gaye Anne Mattson v. USPLabs, GNC Corporation, et al., United States District for the District of Hawaii (Case No. CV 14-00032), filed January 23, 2014

Jamie Franco v. USPLabs, GNC Corporation, et al., United States District Court for the Central District of California (Case No. CV-14-00592), filed January 24, 2014

Roel Vista v. USPLabs, GNC Corporation, et al. United States District Court for the Northern District of California (Case No. CV-14-0037), filed January 24, 2014

Putative Class Action Claims:

Michael Campos, Jennifer Southwick, and others v. USPLabs, LLC and GNC Corp., United States District Court for the Southern District of California (Case No. 13CV2891 DMS BLM), filed December 5, 2013

Richard Carlson, Brianne Nicole Payne v. USPLabs, LLC and GNC Corp., United States District Court for the Northern District of Florida (Case No. 4:13-cv-00627-RH-CAS), filed November 13, 2013

Sandeep Barot v. USPLabs, LLC. and General Nutrition Center Holdings, Inc., United States District Court for the District of New Jersey (Case No. 14-cv-00562), filed February 3, 2014

The proceedings associated with these cases, which generally seek indeterminate money damages, are in the early stages, and any liabilities that may arise from these matters are not probable or reasonably estimable at this time. We are contractually entitled to indemnification by our third-party vendor with regard to these matters, although our ability to obtain full recovery in respect of any such claims against us is dependent upon the creditworthiness of our vendor and/or its insurance coverage and the absence of any significant defenses available to its insurer.

California Wage and Break Claim. On November 4, 2008, 98 plaintiffs filed individual claims against us in the Superior Court of the State of California for the County of Orange, which was removed to the U.S. District Court, Central District of California on February 17, 2009. Each of the plaintiffs had previously been a member of a purported class in a lawsuit filed against us in 2007 and resolved in September 2009. The plaintiffs allege that they were not provided all of the rest and meal periods to which they were entitled under California law, and further allege that we failed to pay them split shift and overtime compensation to which they were entitled under California law. The plaintiffs also allege derivative claims for inaccurate wage statements, failure to pay wages due at termination, and penalty claims under the California Labor Code. In June 2013, a trial was conducted with respect to the claims of seven of the plaintiffs. The jury returned a verdict in favor of us on all claims submitted to the jury, and the Court entered an order in favor of us on the one claim submitted to the Court. The claims of five other plaintiffs have been resolved and the claims of eighty-six plaintiffs remain, with respect to which discovery is ongoing. As any liabilities that may arise from these matters are not probable or reasonably estimable at this time, no liability has been accrued in the accompanying financial statements.

On July 21, 2011, Charles Brewer, on behalf of himself and all others similarly situated, sued General Nutrition Corporation in federal court, alleging state and federal wage and hour claims (U.S. District Court, Northern District of California, Case No. 11CV3587). On October 7, 2011, plaintiff filed an eight-count amended complaint alleging, inter alia, meal, rest break and overtime violations. On October 21, 2011, we filed a motion to dismiss the complaint and on December 14, 2011 the court dismissed count six (the federal overtime claim) giving plaintiffs an opportunity to amend the complaint within thirty days. On January 13, 2012, plaintiff filed a Second Amended complaint. On September 18, 2012, Plaintiff filed a Motion for Conditional Certification and on January 7, 2013, the Court conditionally certified a Fair Labor Standards Act class with respect to one of Plaintiff's claims. As any liabilities that may arise from these matters are not probable or reasonably estimable at this time, no liability has been accrued in the accompanying financial statements.

On February 29, 2012, former Senior Store Manager, Elizabeth Naranjo, individually and on behalf of all others similarly situated sued General Nutrition Corporation in the Superior Court of the State of California for the County of Alameda (Case No. RG 12619626). The complaint contains eight causes of action, alleging, inter alia, meal, rest break, and overtime violations. As any liabilities that may arise from these matters are not probable or reasonably estimable at this time, no liability has been accrued in the accompanying financial statements.

FLSA Matters. On June 29, 2010, Dominic Vargas and Anne Hickok, on behalf of themselves and all others similarly situated, sued General Nutrition Corporation and us in federal court (U.S. District Court, Western District of Pennsylvania, Case No. 2:05-mc-02025). The two-count complaint alleges, generally, that plaintiffs were required to perform work on an uncompensated basis and that we failed to pay overtime for such work. The second count of the complaint alleges we retaliated against plaintiffs when they complained about the overtime policy. We filed a motion to dismiss count II of the Complaint and on January 6, 2011 the court granted the motion. In fall, 2011, plaintiffs filed their Motion for Class Certification. On August 16, 2012, the Court ruled on the motion, granting in part and denying in part, the motion. Class notice was mailed to putative class members in November 2012 and discovery regarding opt-in plaintiffs is ongoing. As of December 31, 2013, an immaterial liability has been accrued in the accompanying financial statements.

Item 4. MINE SAFETY DISCLOSURES

This Item 4 is not applicable.

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PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF SECURITIES.

Market Information

Since March 31, 2011, our common stock has been traded on the NYSE under the symbol "GNC." As of February 14, 2014, there were 94,166,458 shares of common stock outstanding, the closing price of our common stock was $44.72 per share, and we had approximately 54 stockholders of record (including 44 holders of restricted stock).

The following table presents the high and low sales prices and dividend declared by quarter for the common stock, as reported by the NYSE:

2013 quarter ended	High	Low	Dividend per Share
March 31	$ 42.83	$ 30.92	$ 0.15
June 30	$ 48.12	$ 38.59	$ 0.15
September 30	$ 55.16	$ 44.66	$ 0.15
December 31	$ 60.98	$ 51.82	$ 0.15

2012 quarter ended	High	Low	Dividend per Share
March 31	$ 35.20	$ 25.60	$ 0.11
June 30	$ 41.85	$ 33.15	$ 0.11
September 30	$ 42.70	$ 34.50	$ 0.11
December 31	$ 41.22	$ 31.57	$ 0.11

2011 quarter ended	High	Low	Dividend per Share
June 30	$ 22.43	$ 16.08	$
September 30	$ 26.48	$ 19.72	$
December 31	$ 29.50	$ 19.52	$

Dividends

Prior to the consummation of the IPO, OTPP, as the holder of Class B common stock, was entitled to receive ratably an annual special dividend payment equal to an aggregate amount of $750,000 per year when, as and if declared by the board of directors, for a period of ten years commencing on March 16, 2007 (the "Special Dividend Period"). The special dividend payment was payable in equal quarterly installments on the first day of each quarter commencing on April 1, 2007. For our fiscal year ended December 31, 2011, $187,500 was paid to OTPP as a special dividend pursuant to the obligations under the Class B common stock.

Upon the consummation of the IPO, OTPP's right to receive the special dividend payments was terminated and OTPP received, in lieu of quarterly special dividend payments during the remainder of the Special Dividend Period, an automatic payment equal to the net present value of the aggregate amount of quarterly special dividend payments that would have been payable to OTPP during the remainder of the Special Dividend Period, calculated in good faith by the board of directors. The amount of such payment was $5.6 million, paid in 2011. No special dividend payment was made in 2013 or 2012, and no further special dividend payments are required to be made. On March 19, 2012, OTPP converted all of its shares of Class B common stock into an equal number of shares of our common stock. In May 2013, our

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shareholders approved an amendment to our certificate of incorporation deleting the Class B common stock as no shares of Class B common stock were still outstanding.

On January 30, 2014, we announced that the board of directors authorized and declared a cash dividend for the first quarter of 2014 of $0.16 per share of common stock, payable on or about March 28, 2014 to stockholders of record as of the close of business on March 14, 2014. We currently intend to continue to pay regular quarterly dividends; however, the declaration of such future dividends and the establishment of the per share amount, record dates and payment dates for such future dividends are subject to the final determination and approval of the board of directors and will depend on many factors, including, without limitation, our financial condition, future earnings and cash flows, legal requirements, taxes and any other factors that the board of directors deems relevant.

Issuer Purchases of Equity Securities

Period(1)	**Total Number of Shares (or Units) Purchased**	**Average Price Paid per Share (or Unit)**	**Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs(2)**	**Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased under the Plans or Programs(2)**
October 1 to October 31, 2013				$ 11,593,494
November 1 to November 30, 2013	196,416	$ 59.51	196,416	$ 489,985,662
December 1 to December 31, 2013	1,000,000	$ 59.09	1,000,000	$ 440,745,348
Total	1,196,416	$ 59.22	1,196,416	

On February 14, 2013, we announced that our board of directors authorized a new share repurchase program pursuant to which Holdings may purchase up to an aggregate of $250 million of our common stock over the forthcoming year. We completed the program in November 2013.

On November 26, 2013, we announced that our board of directors authorized a new share repurchase program pursuant to which Holdings may purchase up to an aggregate of $500 million of our common stock over the forthcoming two years.

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Stock Performance Graph

The line graph below compares the cumulative total stockholder return on our common stock with the S&P Retail Index and the S&P 500 Index for the period from the completion of our IPO on April 6, 2011 through December 31, 2013. The graph assumes an investment of $100 made at the closing of trading on April 6, 2011 in (i) our common stock, (ii) the stocks comprising the S&P Retail Index and (iii) the stocks comprising the S&P 500 Index. All values assume reinvestment of the full amount of all dividends, if any, into additional shares of the same class of equity securities at the frequency with which dividends were paid on such securities during the applicable time period. The stock price performance included in the line graph below is not necessarily indicative of future stock price performance.

Item 6. SELECTED FINANCIAL DATA.

The selected consolidated financial data presented below as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012, and 2011 are derived from our audited consolidated financial statements and footnotes included in this Annual Report. The selected consolidated financial data presented below as of December 31, 2011, 2010 and 2009 and for the years ended December 31, 2010 and 2009 are derived from our audited consolidated financial statements and footnotes not included in this Annual Report.

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You should read the following financial information together with the information under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and their related notes.

	Year Ended December 31,				
(dollars in millions, except per share data)	**2013**	**2012**	**2011**	**2010**	**2009**
Statement of Operations Data:					
Revenue:					
Retail	$ 1,926.8	$ 1,785.0	$ 1,518.5	$ 1,344.4	$ 1,256.3
Franchising	440.4	408.1	334.8	293.6	264.2
Manufacturing/Wholesale	263.1	236.9	218.9	184.2	186.5
Total revenue	2,630.3	2,430.0	2,072.2	1,822.2	1,707.0
Cost of sales, including costs of warehousing, distribution and occupancy	1,637.2	1,500.2	1,318.4	1,179.9	1,116.4
Gross profit	993.1	929.8	753.8	642.3	590.6
Compensation and related benefits	321.9	314.3	291.3	273.8	263.0
Advertising and promotion	67.2	62.3	52.9	51.7	50.0
Other selling, general and administrative	131.3	123.5	113.5	100.7	96.7
Foreign currency (gain) loss	(0.2)	(0.1)	0.1	(0.3)	(0.1)
Transaction and restructuring related costs(1)	12.4	1.9	13.5	4.0	
Operating income	460.5	427.9	282.5	212.4	181.0
Interest expense, net	53.0	47.6	74.9	65.4	69.9
Income before income taxes	407.5	380.3	207.6	147.0	111.1
Income tax expense	142.5	140.1	75.3	50.4	41.6
Net income	$ 265.0	$ 240.2	$ 132.3	$ 96.6	$ 69.5
Weighted average shares outstanding (in thousands):					
Basic	96,481	103,503	100,261	87,339	87,421
Diluted	97,383	104,911	103,010	88,917	87,859
Net income per share:					
Basic	$ 2.75	$ 2.32	$ 1.27	$ 0.87	$ 0.58
Diluted	$ 2.72	$ 2.29	$ 1.24	$ 0.85	$ 0.58
Dividends declared per share	$ 0.60	$ 0.44	$	$	$
Balance Sheet Data:					
Cash and cash equivalents	$ 226.2	$ 158.5	$ 128.4	$ 193.9	$ 89.9
Working capital(2)	719.0	573.5	474.5	484.5	397.0
Total assets	2,740.3	2,552.0	2,429.6	2,425.1	2,318.1
Total current and non-current long-term debt	1,347.1	1,098.6	901.5	1,058.5	1,059.8
Preferred stock				218.4	197.7
Stockholders' equity	815.6	882.0	978.5	619.5	534.2
Statement of Cash Flows:					

Net cash provided by operating activities	$ 238.1	$ 221.2	$ 174.7	$ 141.5	$ 114.0
Net cash used in investing activities	(79.4)	(43.8)	(65.5)	(36.1)	(42.2)
Net cash used in financing activities	(91.8)	(146.9)	(173.6)	(1.5)	(26.4)
Other Data:					
Capital expenditures	$ 50.2	$ 41.9	$ 43.8	$ 32.5	$ 28.7

(1) In 2013, expenses related to the Transportation Network Transition of $12.2 million ($9.8 million related to the termination of truck leases and $2.4 million related to severance and other costs) and Term Loan Facility transaction of $0.2 million; in 2012, expenses related to the Offerings and Term Loan Transactions of $1.9 million; in 2011, $13.5 million related to transaction costs related to the

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IPO, Offerings, and refinancing; and for 2010, $4.0 million of transaction cost of IPO and strategic alternative costs.

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

The following table summarizes our stores for the periods indicated:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Company-owned stores					
Beginning of period balance	3,188	3,046	2,917	2,832	2,774
New store openings	170	147	145	101	45
Franchise conversions(a)	16	29	30	24	53
Store closings(b)	(32)	(34)	(46)	(40)	(40)
End of period balance	3,342	3,188	3,046	2,917	2,832
Franchised stores					
Domestic					
Beginning of period balance	949	924	903	909	954
Store openings(b)	83	65	63	42	31
Store closings(c)	(20)	(40)	(42)	(48)	(76)
End of period balance	1,012	949	924	903	909
International					
Beginning of period balance	1,830	1,590	1,437	1,307	1,190
Store openings	325	300	195	232	187
Store closings	(131)	(60)	(42)	(102)	(70)
End of period balance	2,024	1,830	1,590	1,437	1,307
Store-within-a-store (Rite Aid)					
Beginning of period balance	2,181	2,125	2,003	1,869	1,712
Store openings	41	63	127	150	177
Store closings	(7)	(7)	(5)	(16)	(20)
End of period balance	2,215	2,181	2,125	2,003	1,869

Total Stores	8,593	8,148	7,685	7,260	6,917

(a) Stores that were acquired from franchisees and subsequently converted into company-owned stores.

(b) Includes corporate store locations acquired by franchisees.

(c) Includes franchise stores closed and acquired by us.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion in conjunction with Item 6, "Selected Financial Data" and our audited consolidated financial statements and the related notes thereto. The discussion in this section contains forward-looking statements that involve risks and uncertainties. See Item 1A, "Risk Factors" in this Annual Report for a discussion of important factors that could cause actual results to differ materially from those described or implied by the forward-looking statements contained herein. We urge you to review the information set forth in "Forward Looking Statements" and Item 1A, "Risk Factors" included elsewhere in this Annual Report.

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Business Overview

We are a global specialty retailer of health and wellness products. We derive our revenues principally from product sales through our company-owned stores and online through GNC.com, LuckyVitamin.com and DiscountSupplements.com, domestic and international franchise activities and sales of products manufactured in our facilities to third parties. We sell products through a worldwide network of more than 8,500 locations operating under the GNC brand name.

Executive Overview

In 2013, we continued to focus on achieving our five principal corporate goals: growing company-owned domestic retail earnings, growing company-owned domestic retail square footage, growing our international footprint, expanding our e-commerce business and further leveraging of the GNC brand. These goals are designed to drive both short-term and long-term financial results. Our efforts led to the following results for the year ended December 31, 2013 compared to the same period in 2012:

- Our company-owned domestic same store sales increased by 4.3%, which includes a 26.6% revenue increase from our GNC.com business.

- We increased our company-owned domestic store count by 149 net new stores, or 4.9%.

- Our retail segment sales increased by 7.9%, and operating income increased by 4.0%.

- Total franchising revenue grew 7.9%, and operating income increased by 14.3%.

- Domestic franchising revenue grew 6.3%, and we added 63 net new domestic franchise stores.

- International franchise revenue grew by 10.3%, we added 194 net new international franchise stores, and now have over 2,000 franchise locations outside of the United States.

- We increased our sales in our wholesale/manufacturing segment by 11.1% through our wholesale distribution channels and increased third-party sales.

- We generated 8.2% of total revenue growth and a 7.6% increase in total operating income growth.

- We expanded our new Gold Card Member Pricing model to be nationwide, which evolved Gold Card from a fixed 20% discount the first week of each month to an everyday variable discount Member Pricing model.

- We generated net cash from operating activities of $238.1 million, proceeds from the refinancing of long term debt of $249.6 million, repurchased $310.6 million in common stock, and paid $57.4 million in common stock dividends.

- We acquired DiscountSupplements.com, a leading multi-brand sports nutrition e-commerce retailer in the United Kingdom, in October 2013. DiscountSupplements.com generated $6.6 million of revenue in 2013 following the date of its acquisition.

- During the fourth quarter of 2013, we transitioned to a third-party pooled carrier product transportation network, and incurred $12.2 million of restructuring related expenses. This transition will increase the efficiency and flexibility of our transportation network.

In March 2011, Centers, a wholly owned subsidiary of Holdings, entered into a senior credit facility, consisting of a $1.2 billion term loan facility (the "Term Loan Facility") and an $80.0 million revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Senior Credit Facility"), and utilized the proceeds to repay certain other then-outstanding indebtedness. In 2012, we amended the Term Loan Facility to increase the outstanding borrowings by $200.0 million band to adjust the per annum interest rate to the greater of LIBOR and 1.00%, plus an applicable margin of 2.75%. In 2013, we amended the Senior Credit Facility to, among other amendments, increase borrowings under the Term Loan Facility by approximately $250 million, extend the maturity of the Term Loan Facility to March 2019, increase the amount available for borrowings under the Revolving Credit Facility to $130.0 million, and effect changes to the interest rates applicable to amounts outstanding under the Facility. These transactions are collectively referred to herein as the "Refinancings." See "Liquidity and Capital Resources: Cash Used in Financing Activities" herein for a further description of these items.

On March 19, 2012, OTPP converted all of its shares of Class B common stock into an equal number of shares of Class A common stock. In May 2013, our shareholders approved an amendment to our certificate of incorporation deleting the Class B common stock as no shares of Class B common stock were still outstanding.

In February 2013, our board of directors authorized a $250.0 million share repurchase program of our common stock for the forthcoming year which was completed in November 2013.

In November 2013, our board of directors authorized an additional $500.0 million multi-year share repurchase program of our common stock.

Revenues and Operating Performance from our Segments

We measure our operating performance primarily through revenues and operating income from our three segments, Retail, Franchise and Manufacturing/Wholesale, and through the management of unallocated costs from our warehousing, distribution and corporate segments, as follows:

Retail: Retail revenues are generated by sales to consumers at our company-owned stores and online through our websites GNC.com, LuckyVitamin.com, and DiscountSupplements.com. Although we believe that our retail and franchise businesses are not seasonal in nature, historically we have experienced, and expect to continue to experience, a variation in our net sales and operating results from quarter to quarter. Our industry is expected to grow at an annual average rate of approximately 7% through 2020. As a leader in our industry, we expect our organic retail revenue to grow consistent with or faster than the projected industry growth as a result of our disproportionate market share, scale economies in purchasing and advertising, strong brand awareness and vertical integration.

Franchise: We generate franchise revenues primarily by:

(1) product sales to our franchisees;

(2) royalties on franchise retail sales; and

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

Although we do not anticipate the number of our domestic franchise stores to grow substantially, we expect to achieve domestic franchise store revenue growth consistent with projected industry growth, which we expect to generate from royalties on franchise retail sales and product sales to our existing franchisees. As a result of our efforts to expand our international presence and provisions in our international franchising agreements requiring franchisees to open additional stores, we have increased our international store base in recent periods and expect to continue to increase the number of our international franchise stores over the next five years. We believe this will result in additional franchise fees associated with new store openings and increased revenues from product sales to, and royalties from, new franchisees. Because our international franchisees pay royalties to us in U.S. dollars, any strengthening of the U.S. dollar relative to our franchisees' local currency may offset some of the growth in royalty revenue.

Manufacturing/Wholesale: Manufacturing/wholesale revenues are generated by sales of manufactured products to third parties, generally for third-party private label brands, the sale of our proprietary and third-party products to and through Rite Aid and www.drugstore.com and the sale of our proprietary products to PetSmart and Sam's Club. We also record license fee revenue from

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the opening of franchise store-within-a-store locations within Rite Aid stores. Our revenues generated by our manufacturing and wholesale operations are subject to our available manufacturing capacity.

A significant portion of our business infrastructure is comprised of fixed operating costs. Our vertically-integrated distribution network, manufacturing capacity, and our ability to outsource production can support higher sales volume. With the continued growth in each of our operating segments, the Company has announced that it will be adding a fourth domestic distribution center. This distribution center will be located near Indianapolis, Indiana and will provide distribution capacity for the foreseeable future.

The following trends and uncertainties in our industry could affect our operating performance as follows:

- broader consumer awareness of health and wellness issues and rising healthcare costs may increase the use of the products we offer and positively affect our operating performance;

- interest in, and demand for, condition-specific products based on scientific research may positively affect our operating performance if we can timely develop and offer such condition-specific products;

- the effects of favorable and unfavorable publicity on consumer demand with respect to the products we offer may have similarly favorable or unfavorable effects on our operating performance;

- a lack of long-term experience with human consumption of ingredients in some of our products could create uncertainties with respect to the health risks, if any, related to the consumption of such ingredients and negatively affect our operating performance;

- increased costs associated with complying with new and existing governmental regulation may negatively affect our operating performance; and

- a decline in disposable income available to consumers may lead to a reduction in consumer spending and negatively affect our operating performance.

Results of Operations

The following information presented as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 was derived from our audited consolidated financial statements and accompanying notes.

As discussed in Note 16, "Segments," to our audited consolidated financial statements, we evaluate segment operating results based on several indicators. The primary key performance indicators are revenues and operating income or loss for each segment. Segment revenues and operating income or loss, as evaluated by management, exclude certain items that are managed at the consolidated level, such as warehousing and transportation costs, impairments and other corporate costs. The following discussion compares the revenues and the operating income or loss by segment, as well as those items excluded from the segment totals.

Same store sales growth reflects the percentage change in same store sales in the period presented compared to the prior year period. Same store sales are calculated on a daily basis for each store and exclude the net sales of a store for any period if the store was not open during the same period of the prior year. We also include our internet sales, as generated only through GNC.com and www.drugstore.com, in our domestic retail company-owned domestic same store sales calculation. When a store's square footage has been changed as a result of reconfiguration or relocation in the same mall or shopping center, the store continues to be treated as a same store. If, during the period presented, a store was closed, relocated to a different mall or shopping center, or converted to a franchise store or a company-owned store, sales from

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that store up to and including the closing day or the day immediately preceding the relocation or conversion are included as same store sales as long as the store was open during the same period of the prior year. We exclude from the calculation sales during the period presented that occurred on or after the date of relocation to a different mall or shopping center or the date of a conversion.

Results of Operations

(Dollars in millions and percentages expressed as a percentage of total net revenue)

	Year Ended December 31,					
	2013		2012		2011	
Revenues:						
Retail	$ 1,926.8	73.3%	$ 1,785.0	73.5%	$ 1,518.5	73.3%
Franchise	440.4	16.7%	408.1	16.8%	334.8	16.1%
Manufacturing / Wholesale:						
Intersegment revenues	269.5	10.2%	263.2	10.8%	224.1	10.8%
Third Party	263.1	10.0%	236.9	9.7%	218.9	10.6%
Subtotal Manufacturing / Wholesale	532.6	20.2%	500.1	20.5%	443.0	21.4%
Elimination of intersegment revenue	(269.5)	-10.2%	(263.2)	-10.8%	(224.1)	-10.8%
Total revenues	**2,630.3**	**100.0%**	**2,430.0**	**100.0%**	**2,072.2**	**100.0%**
Operating expenses:						
Cost of sales, including warehousing, distribution and occupancy costs	1,637.2	62.2%	1,500.2	61.7%	1,318.4	63.6%
Compensation and related benefits	321.9	12.2%	314.3	12.9%	291.3	14.1%
Advertising and promotion	67.2	2.6%	62.3	2.6%	52.9	2.5%
Other selling, general and administrative expenses	122.3	4.7%	114.9	4.7%	105.5	5.1%
Transaction and restructuring related costs	12.4	0.5%	1.9	0.1%	13.5	0.7%
Amortization expense	9.0	0.3%	8.6	0.4%	8.0	0.4%
Foreign currency (gain) loss	(0.2)	0.0%	(0.1)	0.0%	0.1	0.0%
Total operating expenses	**2,169.8**	**82.5%**	**2,002.1**	**82.4%**	**1,789.7**	**86.4%**
Operating income:						
Retail	360.2	13.7%	346.4	14.3%	243.5	11.8%
Franchise	156.0	5.9%	136.5	5.6%	111.3	5.4%
Manufacturing / Wholesale	104.7	4.0%	95.5	3.9%	82.2	4.0%
Unallocated corporate and other costs:						
Warehousing and distribution costs	(66.6)	-2.5%	(63.3)	-2.6%	(60.6)	-3.0%
Corporate costs	(81.4)	-3.1%	(85.3)	-3.5%	(80.4)	-3.9%
Transaction and restructuring related costs	(12.4)	-0.5%	(1.9)	-0.1%	(13.5)	-0.7%
Subtotal unallocated corporate and other costs, net	(160.4)	-6.1%	(150.5)	-6.2%	(154.5)	-7.6%
Total operating income	**460.5**	**17.5%**	**427.9**	**17.6%**	**282.5**	**13.6%**
Interest expense, net	53.0		47.6		74.9	
Income before income taxes	**407.5**		**380.3**		**207.6**	
Income tax expense	142.5		140.1		75.3	

Net income	**$ 265.0**	**$ 240.2**	**$ 132.3**

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

Comparison of the Years Ended December 31, 2013 and 2012

Revenues

Our consolidated net revenues increased $200.3 million, or 8.2%, to $2,630.3 million for the year ended December 31, 2013 compared to $2,430.0 million in 2012. The increase was the result of increased sales in each of our segments.

Retail. Revenues in our Retail segment increased $141.8 million, or 7.9%, to $1,926.8 million for the year ended December 31, 2013 compared to $1,785.0 million in 2012. Domestic retail revenue increased $117.8 million due to the opening of new stores which accounted for approximately $39.5 million of the increase, sales increase in our sports nutrition and vitamin product categories, and a 4.3% increase in our same store sales, which includes an increase in sales from GNC.com of $27.8 million, or 26.6%, to $132.3 million in 2013 compared to $104.5 million for 2012. The nationwide rollout of Member Pricing included the giveaway of free Gold Cards, which negatively impacted same store sales. In addition, sales from LuckyVitamin.com and DiscountSupplements.com contributed $6.4 million and $6.6 million, respectively, to the increase in domestic retail revenue. Canadian sales increased by $11.0 million in U.S. dollars in 2013 compared to 2012. Our company-owned store base increased by 149 domestic stores to 3,170 at December 31, 2013 compared to 3,021 at December 31, 2012, due to new store openings and franchise store acquisitions. Our company-owned Canadian store base increased by 5 stores to 172 at December 31, 2013 compared to 167 at December 31, 2012.

Franchise. Revenues in our Franchise segment increased $32.3 million, or 7.9%, to $440.4 million for the year ended December 31, 2013 compared to $408.1 million in 2012. Domestic franchise revenues increased $15.0 million to $254.9 million for the year ended December 31, 2013 compared to $239.9 million in 2012, primarily due to higher product sales of $12.0 million and royalties. Our domestic franchise same store sales for the year ended December 31, 2013 increased by 4.2% from 2012. There were 1,012 domestic franchise stores at December 31, 2013 compared to 949 stores at December 31, 2012. International franchise revenue increased by $17.3 million, to $185.5 million for the year ended December 31, 2013 compared to $168.2 million in 2012, primarily as a result of increases in product sales of $10.2 million and royalties. Our international franchisees reported a 10.2% same store sales increase during the year, on a local currency basis. Our international franchise store base increased by 194 stores to 2,024 at December 31, 2013 compared to 1,830 at December 31, 2012.

Manufacturing/Wholesale. Revenues in our Manufacturing/Wholesale segment, which includes third-party sales from our manufacturing facilities in South Carolina, as well as wholesale sales to Rite Aid, PetSmart, Sam's Club and www.drugstore.com, increased by $26.2 million, or 11.1%, to $263.1 million for the year ended December 31, 2013 compared to $236.9 million in 2012. Third-party contract manufacturing sales from our South Carolina manufacturing plant increased by $10.7 million, or 8.6%, to $134.6 million for the year ended December 31, 2013 compared to $123.9 million in 2012. Wholesale revenue increased $15.5 million, or 13.7%, due to timing of purchase orders and shipments with key wholesale customers.

Cost of Sales

Cost of sales, which includes product costs, costs of warehousing and distribution and occupancy costs, increased $137.0 million, or 9.1%, to $1,637.2 million for the year ended December 31, 2013 compared to $1,500.2 million in 2012. Cost of sales, as a percentage of net revenue, was 62.2% and 61.7% for the year ended December 31, 2013 and 2012, respectively. The higher cost of sales percentage for the year ended

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December 31, 2013 compared to the same period in 2012 was due to the planned pricing investments with the rollout of Member Pricing, which evolved the Gold Card from a fixed 20% discount the first week of each month to an everyday variable discount Member Pricing model.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses, including compensation and related benefits, advertising and promotion expense, other SG&A expenses, amortization expense and transaction and restructuring related costs, increased $30.8 million, or 6.1%, to $532.8 million, for the year ended December 31, 2013 compared to $502.0 million in 2012. These expenses, as a percentage of net revenue, were 20.3% for the year ended December 31, 2013 compared to 20.7% in 2012.

Compensation and related benefits. Compensation and related benefits increased $7.6 million, or 2.4%, to $321.9 million for the year ended December 31, 2013 compared to $314.3 million in 2012. The increase was due primarily to our increased store base and sales volume, offset by a decrease in incentive expense.

Advertising and promotion. Advertising and promotion expenses increased $4.9 million, or 8.0%, to $67.2 million for the year ended December 31, 2013 compared to $62.3 million in 2012. The increase in advertising and promotion expense resulted primarily from increases in media and print expense from our investment in the nationwide launch of Member Pricing. These expenses, as a percentage of net revenue, were 2.6% for both the years ended December 31, 2013 and 2012.

Other SG&A. Other SG&A expenses, including amortization expense, increased $7.8 million, or 6.3%, to $131.3 million for the year ended December 31, 2013 compared to $123.5 million in 2012. This increase was due to increases in sales volume, legal expenses and other SG&A expenses.

Transaction and restructuring related costs. For the year ended December 31, 2013, we incurred $12.2 million related to the Transportation Network Transition during the fourth quarter of 2013, and $0.2 million related to the Term Loan Facility transaction. In 2012, we incurred $1.9 million of expenses principally related to the Offerings and the Refinancings for 2012.

Operating Income

As a result of the foregoing, consolidated operating income increased $32.6 million, or 7.6%, to $460.5 million for the year ended December 31, 2013 compared to $427.9 million in 2012. Operating income, as a percentage of net revenue, was 17.5% and 17.6% for the years ended December 31, 2013 and 2012, respectively.

Retail. Operating income increased $13.8 million, or 4.0%, to $360.2 million for the year ended December 31, 2013 compared to $346.4 million in 2012. The increase in operating income was driven by the same store sales increase offset by planned investments in marketing spend and pricing with the nationwide rollout of Member Pricing.

Franchise. Operating income increased $19.5 million, or 14.3%, to $156.0 million for the year ended December 31, 2013 compared to $136.5 million in 2012. The increase was primarily due to increased wholesale product sales and royalty income.

Manufacturing/Wholesale. Operating income increased $9.2 million, or 9.7%, to $104.7 million for the year ended December 31, 2013 compared to $95.5 million in 2012. The increase was driven by a higher gross product margin resulting from improved wholesale margins and increased shipments of proprietary products.

Warehousing and distribution costs. Unallocated warehousing and distribution costs increased $3.3 million, or 5.2%, to $66.6 million for the year ended December 31, 2013 compared to $63.3 million in

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2012. This increase was primarily due to an increase in shipping and increased wages to support higher sales volumes.

Corporate costs. Corporate overhead costs decreased $3.9 million, or 4.5%, to $81.4 million for the year ended December 31, 2013 compared to $85.3 million in 2012. This was due to a decrease in incentives expense, offset by increases in compensation expense, health insurance, and travel expense.

Transaction and restructuring related costs. For the year ended December 31, 2013, we incurred $12.2 million related to the Transportation Network Transition during the fourth quarter of 2013, and $0.2 million related to the Term Loan Facility transaction. In 2012, we incurred $1.9 million of expenses principally related to the Offerings and the Refinancings for 2012.

Interest Expense

Interest expense increased $5.4 million, or 11.5%, to $53.0 million for the year ended December 31, 2013 compared to $47.6 million in 2012. This increase was primarily related to $8.1 million of costs in 2013 related to the debt extinguishment costs that impacted interest expense, partially offset by lower interest rates. This consisted of $5.7 million write-off of deferred financing fees and original issue discount and incurred financing fees of $2.4 million.

Income Tax Expense

We recognized $142.5 million (or 35.0% of pre-tax income) of income tax expense for the year ended December 31, 2013 compared to $140.1 million (or 36.8% of pre-tax income) in 2012. Income tax expense for both of the years ended December 31, 2013 and 2012 was reduced by valuation allowance adjustments of $1.2 million. These valuation allowance adjustments reflected a change in circumstances that caused a change in judgment about the realizability of certain deferred tax assets related to state and foreign net operating losses. In addition, the income tax rate was lower for the year ended December 31, 2013 compared to the same period in 2012 as a result of the recognition of $4.9 million in other net discrete tax benefits related primarily to the reduction of certain deferred tax liabilities and reserves.

Net Income

As a result of the foregoing, consolidated net income increased $24.8 million, or 10.3%, to $265.0 million for the year ended December 31, 2013 compared to $240.2 million in 2012.

Comparison of the Years Ended December 31, 2012 and 2011

Revenues

Our consolidated net revenues increased $357.8 million, or 17.3%, to $2,430.0 million for the year ended December 31, 2012 compared to $2,072.2 million in 2011. The increase was the result of increased sales in each of our segments.

Retail. Revenues in our Retail segment increased $266.5 million, or 17.6%, to $1,785.0 million for the year ended December 31, 2012 compared to $1,518.5 million in 2011. Domestic retail revenue increased $211.2 million due to an 11.5% increase in our same store sales, the opening of new stores, which accounted for approximately $51.1 million of the increase, sales increases in the sports nutrition, vitamin and diet product categories, and an increase in sales from GNC.com of $23.5 million, or 28.9%, to $104.5 million in 2012 compared to $81.1 million for 2011. In addition, sales from LuckyVitamin.com contributed $42.2 million to the increase in domestic retail revenue. Canadian sales increased by $13.1 million in U.S. dollars in 2012 compared to 2011. Our company-owned store base increased by 142 domestic stores to 3,021 at December 31, 2012 compared to 2,879 at December 31, 2011, due to new

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store openings and franchise store acquisitions. There was no change to our Canadian store base, with 167 stores at December 31, 2012 and December 31, 2011.

Franchise. Revenues in our Franchise segment increased $73.3 million, or 21.9%, to $408.1 million for the year ended December 31, 2012 compared to $334.8 million in 2011. Domestic franchise revenues increased $32.6 million to $239.9 million for the year ended December 31, 2012 compared to $207.3 million in 2011, primarily due to higher product sales of $27.7 million, royalties and fees. Our domestic franchise same store sales for the year ended December 31, 2012 increased by 15.0% from 2011. There were 949 domestic franchise stores at December 31, 2012 compared to 924 stores at December 31, 2011. International franchise revenue increased by $42.7 million, to $168.2 million for the year ended December 31, 2012 from $125.5 million in 2011, primarily as a result of increases in product sales of $32.6 million, royalties and fees. Our franchisees have reported a 9.9% same store sales increase this year, on a local currency basis. Our international franchise store base increased by 240 stores to 1,830 at December 31, 2012 compared to 1,590 at December 31, 2011.

Manufacturing/Wholesale. Revenues in our Manufacturing/Wholesale segment, which includes third-party sales from our manufacturing facilities in South Carolina, as well as wholesale sales to Rite Aid, PetSmart, Sam's Club and www.drugstore.com, increased by $18.0 million, or 8.2%, to $236.9 million for the year ended December 31, 2012 compared to $218.9 million in 2011. Third-party contract manufacturing sales from our South Carolina manufacturing plant increased by $5.7 million, or 4.8%, to $123.9 million for the year ended December 31, 2012 compared to $118.2 million in 2011. Wholesale revenue increased $12.3 million, or 12.2%, due to the timing of purchase orders and shipments with key wholesale customers.

Cost of Sales

Cost of sales, which includes product costs, costs of warehousing and distribution and occupancy costs, increased $181.8 million, or 13.8%, to $1,500.2 million for the year ended December 31, 2012 compared to $1,318.4 million in 2011. Cost of sales, as a percentage of net revenue, was 61.7% and 63.6% for the year ended December 31, 2012 and 2011, respectively. The decrease in cost of sales as a percentage of net revenue was primarily driven by an increase in retail gross product margin, occupancy leverage, and a positive mix shift within wholesale and proprietary product sales.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses, including compensation and related benefits, advertising and promotion expense, other SG&A expenses, amortization expense and transaction and restructuring related costs, increased $30.8 million, or 6.5%, to $502.0 million, for the year ended December 31, 2012 compared to $471.2 million in 2011. These expenses, as a percentage of net revenue, were 20.7% for the year ended December 31, 2012 compared to 22.7% in 2011.

Compensation and related benefits. Compensation and related benefits increased $23.0 million, or 7.9%, to $314.3 million for the year December 31, 2012 compared to $291.3 million in 2011. The increase was due primarily to our increased store base and sales volume.

Advertising and promotion. Advertising and promotion expenses increased $9.4 million, or 17.7%, to $62.3 million for the year ended December 31, 2012 compared to $52.9 million in 2011. The increase in advertising and promotion expense was primarily the result of increases in media expense, events and promotions. These expenses, as a percentage of net revenue, were 2.6% for the year ended December 31, 2012 compared to 2.5% in 2011.

Other SG&A. Other SG&A expenses, including amortization expense, increased $10.0 million, or 8.8%, to $123.5 million for the year ended December 31, 2012 compared to $113.5 million in 2011. This increase was due to increases in sales volume, legal expenses and other SG&A expenses.

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Transaction and restructuring related costs. For the years ended December 31, 2012 and 2011, we incurred $1.9 million and $13.5 million, respectively, of expenses principally related to the Offerings and the Refinancings.

Operating Income

As a result of the foregoing, consolidated operating income increased $145.4 million, or 51.5%, to $427.9 million for the year ended December 31, 2012 compared to $282.5 million in 2011. Operating income, as a percentage of net revenue, was 17.6% and 13.6% for the years ended December 31, 2012 and 2011, respectively.

Retail. Operating income increased $102.9 million, or 42.3%, to $346.4 million for the year ended December 31, 2012 compared to $243.5 million in 2011. The increase was driven by higher gross margin and expense leverage in occupancy, payroll, and other SG&A expenses.

Franchise. Operating income increased $25.2 million, or 22.7%, to $136.5 million for the year ended December 31, 2012 compared to $111.3 million in 2011. The increase was mostly due to increased wholesale product sales and royalty income.

Manufacturing/Wholesale. Operating income increased $13.3 million, or 16.2%, to $95.5 million for the year ended December 31, 2012 compared to $82.2 million in 2011. The increase was driven by a higher gross product margin resulting from improved wholesale margins and increased shipments of proprietary products.

Warehousing and distribution costs. Unallocated warehousing and distribution costs increased $2.7 million, or 4.6%, to $63.3 million for the year ended December 31, 2012 compared to $60.6 million in 2011. This increase was primarily due to higher fuel costs and increased wages to support higher sales volumes.

Corporate costs. Corporate overhead costs increased $4.9 million, or 6.1%, to $85.3 million for the year ended December 31, 2012 compared to $80.4 million in 2011. This was due to increases in compensation expense, health insurance, and other SG&A expenses offset by executive severance expense of $3.5 million.

Transaction and restructuring related costs. For the years ended December 31, 2012 and 2011, we incurred $1.9 million and $13.5 million, respectively, of expenses principally related to the Offerings and the Refinancings.

Interest Expense

Interest expense decreased $27.3 million, or 36.5%, to $47.6 million for the year ended December 31, 2012 compared to $74.9 million in 2011. This decrease was primarily related to $23.2 million of costs in 2011 related to the Refinancings consisting of $5.8 million related to the termination of interest rate swaps, $13.4 million of deferred financing fees related to former indebtedness, $1.6 million in original issue discount related to the Senior Subordinated Notes and $2.4 million related to the defeasance of the Senior Notes and Senior Subordinated Notes. Additionally, we recognized $4.9 million of original issue discount and deferred financing fees expense related to the $300.0 million pay down of debt in connection with the IPO. During 2012, the Company incurred $3.2 million of costs related to the Refinancings. The decrease in overall interest rates also contributed to the decrease in interest expense.

Income Tax Expense

We recognized $140.1 million (or 36.8% of pre-tax income) of income tax expense for the year ended December 31, 2012 compared to $75.3 million (or 36.3% of pre-tax income) in 2011. The 2012 and 2011 income tax expense includes $0.7 million and $2.3 million, or 0.2% and 1.5% of pretax income, related to non-deductible costs, respectively. Income tax expense for the years ended December 31, 2012 and 2011 was reduced by valuation allowance adjustments of $1.2 million and $1.5 million, respectively. These valuation allowance adjustments reflected a change in circumstances that caused a change in judgment about the realizability of certain deferred tax assets related to state and foreign net operating losses. Also, for 2011, income tax expense was favorably impacted by $2.6 million related to non-recurring tax credits.

Net Income

As a result of the foregoing, consolidated net income increased $107.9 million, or 81.6%, to $240.2 million for the year ended December 31, 2012 compared to $132.3 million in 2011.

Liquidity and Capital Resources

At December 31, 2013, we had $226.2 million in cash and cash equivalents and $719.0 million in working capital, compared with $158.5 million in cash and cash equivalents and $573.5 million in working capital at December 31, 2012. The $145.5 million increase in our working capital was primarily due to an increase in cash and inventory levels due to increases in sales volume and net income combined with the proceeds from debt issuance, partially offset by the repurchase of common stock.

At December 31, 2012, we had $158.5 million in cash and cash equivalents and $573.5 million in working capital, compared with $128.4 million in cash and cash equivalents and $474.5 million in working capital at December 31, 2011. The $99.0 million increase in our working capital was primarily due to an increase in cash and inventory levels due to an increase in sales volume and net income, partially offset by the repurchase of common stock.

We expect to fund our operations through internally generated cash and, if necessary, from borrowings under the Revolving Credit Facility. At December 31, 2013, we had $128.9 million available under the Revolving Credit Facility, after giving effect to $1.1 million utilized to secure letters of credit.

We expect that our primary uses of cash in the near future will be for capital expenditures, working capital requirements and funding any quarterly dividends to stockholders and share repurchases that are approved by the board of directors.

We currently anticipate that cash generated from operations, together with amounts available under the Revolving Credit Facility, will be sufficient until the Revolving Credit Facility matures in March 2017, to meet our operating expenses and capital expenditures as they become due. Under the Refinancings, we are required to make quarterly payments of $1.1 million, payable every quarter beginning March 31, 2014 and ending on December 31, 2018 with the remainder paid in March 2019. Our ability to make scheduled payments of principal on, to pay interest on or to refinance our debt and to satisfy our other debt obligations will depend on our future operating performance, which will be affected by general economic, financial and other factors beyond our control. We are currently in compliance with our debt covenant reporting and compliance obligations under the Senior Credit Facility and expect to remain in compliance during 2014.

Cash Provided by Operating Activities

Cash provided by operating activities was $238.1 million, $221.2 million and $174.7 million during the years ended December 31, 2013, 2012 and 2011, respectively. The increases from each of 2011 to 2012 to 2013 were primarily due to increases in net income. Net income increased $24.8 million in 2013 compared to 2012. Net income increased $107.9 million in 2012 compared to 2011.

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For the year ended December 31, 2013, inventory increased $69.6 million compared to 2012 as a result of increases in our finished goods to support increased sales. Accounts receivable increased $16.7 million, primarily due to increased sales to franchisees. Deferred revenue and accrued liabilities decreased by $18.5 million, primarily due to a decrease in deferred revenue due to the giveaway of Gold Cards during the second quarter as a result of the nationwide Member Pricing launch and accrued payroll.

For the year ended December 31, 2012, inventory increased $77.9 million compared to 2011 as a result of increases in our finished goods to support increased sales. Accounts receivable increased $18.8 million, primarily due to increased sales to franchisees. Deferred revenue and accrued liabilities increased by $16.4 million, primarily due to increased Gold Card sales.

Cash Used in Investing Activities

We used cash from investing activities of $79.4 million, $43.8 million and $65.5 million for the years ended December 31, 2013, 2012 and 2011, respectively. Capital expenditures, which were primarily for improvements to our retail stores and our South Carolina manufacturing facility, were $50.2 million, $41.9 million and $43.8 million for the years ended December 31, 2013, 2012 and 2011, respectively. Also in 2013, we spent $27.6 million related to the acquisition of DiscountSupplements.com, and in 2011, we spent $19.8 million related to the acquisition of LuckyVitamin.com.

Our capital expenditures typically consist of new stores, certain periodic updates in our company-owned stores and ongoing upgrades and improvements to our manufacturing facilities and information technology systems.

In 2014, we expect our capital expenditures to be approximately $70 million, which includes costs associated with growing our domestic square footage and our new distribution center in Indianapolis, Indiana. We anticipate funding our 2014 capital requirements with cash flows from operations and, if necessary, borrowings under the Revolving Credit Facility.

Cash Used in Financing Activities

For the year ended December 31, 2013, we used cash of $91.8 million, primarily consisting of dividends paid to our stockholders of $57.4 million and the repurchase of an aggregate of $310.6 million in shares of common stock under a share repurchase program. This was partially offset by $249.6 million in net proceeds from long term debt and $32.4 million proceeds from exercised options, including the associated tax benefit.

For the year ended December 31, 2012, we used cash of $146.9 million, primarily consisting of dividends paid to our stockholders of $45.2 million and the repurchase of an aggregate of $360.0 million in shares of common stock under a share repurchase program. This was partially offset by $199.0 million in proceeds from long term debt and $65.8 million in proceeds from exercised options, including the associated tax benefit.

For the year ended December 31, 2011, we used net cash of $173.6 million, primarily due to borrowing $1,196.2 million under the Senior Credit Facility, repayment of $1,056.0 million of indebtedness and paid $17.3 million in fees in connection with the Refinancing. We received net proceeds from the IPO of $237.3 million and used these proceeds, together with cash on hand, to redeem all of our outstanding Series A Preferred Stock and repay $300.0 million of indebtedness under the Senior Credit Facility. Additionally, we repurchased an aggregate of $61.6 million in shares of common stock under a share repurchase program. Also, we received $51.0 million of proceeds from exercised options, including the associated tax benefit.

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The following is a summary of our debt:

Senior Credit Facility. Centers is party to a Senior Credit Facility, consisting of the Term Loan Facility and the Revolving Credit Facility. As of December 31, 2013, we believe that we are in compliance with all covenants under the Senior Credit Facility and expect to remain in compliance during 2014. As of December 31, 2013, $1.1 million of the Revolving Credit Facility was pledged to secure letters of credit. The Senior Credit Facility permits us to prepay a portion or all of the outstanding balance without incurring penalties (except London Interbank Offering Rate ("LIBOR") breakage costs). GNC Corporation, our indirect wholly owned subsidiary ("GNC Corporation"), and Centers' existing and future domestic subsidiaries have guaranteed Centers' obligations under the Senior Credit Facility. In addition, the Senior Credit Facility is collateralized by first priority pledges (subject to permitted liens) of substantially all of the assets of Centers, including its equity interests and the equity interests of its domestic subsidiaries.

In August 2012, Centers amended the Senior Credit Facility to, among other things, provide additional commitments of $200.0 million for incremental term loans. In October 2012, Centers amended the Senior Credit Facility to adjust the per annum interest rate to the greater of LIBOR and 1.00%, plus an applicable margin of 2.75%.

On October 2, 2012 Centers amended the Senior Credit Facility by entering into the Repricing. This amendment included changes to ABR, LIBOR, and Applicable Margin rates. At our option, we can borrow at a rate per annum equal to (A) the sum of (i) the greatest of (a) the prime rate (as publicly announced by JPMorgan Chase Bank, N.A. as its prime rate in effect), (b) the federal funds effective rate plus 0.50%, (c) one month adjusted LIBOR plus 1.0% and (d) 2.25% with respect to Revolving Credit Facility and 2.00% with respect to Term Loan Facility plus (ii) the applicable margin of 2.0% with respect to Revolving Credit Facility and 1.75% with respect to Term Loan Facility or (B) the sum of (i) the greater of (a) adjusted LIBOR or (b) 1.25% with respect to Revolving Credit Facility and 1.00% with respect to Term Loan Facility plus (ii) the applicable margin of 3.0% with regards to Revolver Credit Facility and 2.75% with respect to Term Loan Facility. As of December 31, 2012, our interest rate on the Senior Credit Facility was 3.75%, as a result of the interest rate minimum requirement as described above.

During the fourth quarter of 2013, Centers amended and restated the Senior Credit Facility to, among other things, increase the size of the Term Loan Facility by $252.5 million, increase of the Revolving Credit Facility from $80 million to $130 million, extend the Revolving Credit Facility maturity date to March 2017, and extend the maturity of the Term Loan Facility to March 2019. The 2013 amendments also included changes to ABR, LIBOR, and applicable margin rates for the Revolving Credit Facility. At the Company's option, the Company can borrow at a rate per annum equal to (A) the sum of (i) the greatest of (a) the prime rate (as publicly announced by JPMorgan Chase Bank, N.A. as its prime rate in effect), (b) the federal funds effective rate plus 0.50%, (c) one month adjusted LIBOR plus 1.0% and (d) 1.75% with respect to Term Loan Facility plus (ii) the applicable margin of 1.25% with respect to Revolving Credit Facility and 1.5% with respect to Term Loan Facility or (B) the sum of (i) the greater of (a) adjusted LIBOR or (b) 0.75% with respect to Term Loan Facility plus (ii) the applicable margin of 2.25% with regards to Revolver Credit Facility and 2.5% with respect to Term Loan Facility. As of December 31, 2013, our current interest rate on its Senior Credit Facility is 3.25%, as a result of the interest rate minimum requirement as described above. As of December 31, 2013 and 2012, the outstanding letter of credit fee was 2.50% and 3.00%, respectively, and the commitment fee on the undrawn portion of the Revolving Credit Facility was 0.5% at both December 31, 2013 and 2012.

The Senior Credit Facility, including amendments, contains customary covenants, including incurrence covenants and certain other limitations on the ability of GNC Corporation, Centers, and Centers' subsidiaries to, among other things, make optional payments in respect of other debt instruments, pay dividends or other payments on capital stock, and enter into arrangements that restrict their ability to pay dividends or grant liens.

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Contractual Obligations

The following table summarizes our future minimum non-cancelable contractual obligations at December 31, 2013:

	Payments due by period				
(in millions)	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt obligations(1)	$ 1,351.1	$ 5.4	$ 9.3	$ 9.1	$ 1,327.3
Scheduled interest payments(2)	233.3	45.1	89.9	87.5	10.8
Operating lease obligations(3)	555.1	133.7	210.9	119.3	91.2
Purchase commitments(4)(5)	8.2	7.0	1.0	0.2	
	$ 2,147.7	$ 191.2	$ 311.1	$ 216.1	$ 1,429.3

(1) These balances consist of the following debt obligations: (a) $1,350.0 million of outstanding borrowings under the Senior Credit Facility based on a variable interest rate; and (b) $1.1 million for debt related to the mortgage and other debt with a fixed interest rate. Repayment of the Senior Credit Facility represents the balance remaining after the $252.2 million Incremental Term Loan in November 2013 and does not take into account any unscheduled payments that may occur to be due at future cash positions.

(2) The interest that will accrue on the long-term obligations includes variable rate payments, which are estimated using the associated LIBOR index as of December 31, 2013. Interest under the Senior Credit Facility currently accrues based on one month LIBOR.

(3) These balances consist of the following operating leases: (a) $522.2 million for company-owned retail stores; (b) $102.1 million for franchise retail stores, which is offset by $102.1 million of sublease income from franchisees; and (c) $32.9 million relating to various leases for warehouses, vehicles, and various equipment at our facilities. Operating lease obligations exclude insurance, taxes, maintenance, percentage rent and other costs. These amounts are subject to fluctuation from year to year. For each of the years ended December 31, 2013, 2012 and 2011, these amounts collectively represented approximately 37% of the aggregate costs associated with our company-owned retail store operating leases.

(4) These balances consist of $8.2 million of advertising agreements.

(5) Excludes cash settlements with taxing authorities for unrecognized tax benefits and rent escalation liabilities because we are unable to reliably estimate the timing of such payments.

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

Off Balance Sheet Arrangements

As of December 31, 2013 and 2012, we had no relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off balance sheet arrangements, or other contractually narrow or limited purposes. We are, therefore, not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

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Effect of Inflation

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

Critical Accounting Estimates

You should review the significant accounting policies described in Note 2, "Basis of Presentation and Summary of Significant Accounting Policies," to our audited consolidated financial statements included in this Annual Report.

Use of Estimates

Certain amounts in our audited consolidated financial statements require management to use estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Our accounting policies are described in Note 2, "Basis of Presentation and Summary of Significant Accounting Policies" to our audited consolidated financial statements included in this Annual Report. Our critical accounting policies and estimates are described in this section. An accounting estimate is considered critical if:

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

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

Revenue Recognition

We operate primarily as a retailer, through company-owned stores, franchise stores, our websites, and to a lesser extent, as a manufacturer and wholesaler. We apply the provisions of the standard on revenue recognition, which requires the following:

- Persuasive evidence of an arrangement exists.
- Delivery has occurred or services have been rendered.
- The price is fixed or determinable.
- Collectability is reasonably assured.

We recognize revenues in our Retail segment at the moment a sale to a customer is recorded. Gross revenues are reduced by actual customer returns and a provision for estimated future customer returns, which is based on management's estimates after a review of historical customer returns. These estimates are based on historical sales return data, applied to current period sales subject to returns provisions per our company policy. Our customer returns allowance was $5.0 million and $4.3 million at December 31, 2013 and 2012, respectively. The impact of customer returns on revenue was immaterial for each of the years ended December 31, 2013, 2012 and 2011. We recognize revenues on product sales to franchisees and other third parties when the risk of loss, title and insurable risks have transferred to the franchisee or third-party. We recognize revenues from franchise fees at the time a franchise store opens or at the time of

franchise renewal or transfer, as applicable. Franchise royalties are earned based on a percentage of the franchisees' sales and recognized in the period in which the franchisees' sales occur.

Accounts Receivable and Allowance for Doubtful Accounts

The majority of our retail revenues are received as cash or cash equivalents. The majority of our franchise revenues are billed to the franchisees with varying terms for payment. We offer financing to qualified domestic franchisees with the initial purchase of a franchise location. The notes are demand notes, payable monthly over periods of five to seven years. We generate a significant portion of our revenue from ongoing product sales to franchisees and third-party customers. An allowance for doubtful accounts is established based on the financial condition of our franchisees and other third-party customers, the current status of trade receivables and any historical write-off experience. We maintain both specific and general reserves for doubtful accounts. General reserves are based upon our historical bad debt experience, overall review of our aging of accounts receivable balances, general economic conditions of our industry or the geographical regions and regulatory environments of our third-party customers and franchisees. Management's estimates of the franchisees financial health include forecasts of the customers' and franchisees' future operating results and the collectability of receivables from them. While we believe that our business operations and communication with customers and franchisees allows us to make reasonable estimates of their financial health, actual results could differ from those predicted by management, and actual bad debt expense could differ from forecasted results. Our allowance for doubtful accounts and bad debt expense were immaterial for each of the years December 31, 2013, 2012 and 2011.

Inventories

Inventories are stated at the lower of cost or market on a first in/first out basis ("FIFO"). Where necessary, we adjust the carrying value of our inventory to estimated net realizable value. These estimates require us to make approximations about the future demand for our products in order to categorize the status of such inventory items as slow moving, obsolete, or in excess of need. These future estimates are subject to the ongoing accuracy of management's forecasts of market conditions, industry trends and competition. While we make estimates of future demand based on historical experience, current expectations and assumptions that we believe are reasonable, if actual demand or market conditions differ from these expectations and assumptions, actual results could differ from our estimates. We are also subject to volatile changes in specific product demand as a result of unfavorable publicity, government regulation and rapid changes in demand for new and improved products or services. Our inventory reduction for obsolescence and shrinkage was $10.3 million and $9.5 million at December 31, 2013 and 2012, respectively. This represented 1.9% of our gross inventory value at each period. The change from period to period was primarily the result of inventory fluctuations and management of inventory movement throughout our system. The impact on cost of goods sold as a result of these allowances was immaterial for each of the years ended December 31, 2013, 2012 and 2011.

Impairment of Long-Lived Assets

Long-lived assets, including fixed assets and intangible assets with finite useful lives, are evaluated periodically by us for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. If the sum of the undiscounted future cash flows is less than the carrying value, we recognize an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset. These estimates of cash flow require significant management judgment and certain assumptions about future volume, revenue and expense growth rates and asset disposal values. While we make estimates based on historical experience, current expectations and assumptions that we believe are reasonable, if actual results, including future cash flows, differ from our estimates, our estimates may differ from actual impairment recognized. There has been no material impairment recorded in the years ended December 31, 2013, 2012 or 2011.

Goodwill and Indefinite-Lived Intangible Assets

We annually assess, in the fourth quarter of each fiscal year, the qualitative factors related to goodwill and assets with indefinite lives, principally our brand name, to determine whether it is "more likely than not" (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. To the extent that we determine it more likely than not that the fair value of our reporting units is less than carrying value, we will perform the two-step impairment test as required.

We conduct impairment testing annually at the beginning of the fourth quarter of each fiscal year. In the event of declining financial results and market conditions, we could be required to recognize impairments to our goodwill and intangible assets. The most recent goodwill and indefinite-lived intangible asset assessments were performed during the fourth quarter of 2013, and the Company concluded that goodwill and intangible assets were not impaired. There was also no impairment of goodwill or intangible assets during 2012 or 2011. See Note 5, "Goodwill, Brands, and Other Intangible Assets, Net," to our audited consolidated financial statements included elsewhere in this Annual Report. We do not currently expect to incur additional impairment charges in the foreseeable future; however, the risks relating to our business, as described above under Item 1A, "Risk Factors," could have a negative effect on our business and operating results which could affect the valuation of our goodwill and intangibles.

Self-Insurance

We have procured insurance for such areas as: (1) general liability; (2) product liability; (3) directors and officers liability; and (4) property insurance; (5) workers' compensation insurance; and (6) various other areas. We are self-insured for such areas as: (1) medical benefits; (2) physical damage to our vehicles for field personnel use; and (3) physical damages that may occur at the corporate store locations. We are not insured for certain property and casualty risks due to our assessment of the frequency and severity of a loss, the cost of insurance and the overall risk analysis. Our associated liability for this self-insurance was not significant as of December 31, 2013 and 2012.

We carry product liability insurance with a retention of $4.0 million per claim with an aggregate cap on retained losses of $10.0 million. We carry general liability insurance with retention of $250,000 per claim with an aggregate cap on retained losses of $1.0 million. The majority of our workers' compensation and auto insurance policies are in deductible/retrospective plans. We reimburse the applicable insurance company for the workers' compensation and auto liability claims, subject to a $250,000 and $100,000 loss limit per claim, respectively.

As part of the medical benefits program, we contract with national service providers to provide benefits to our employees for all medical, dental, vision and prescription drug services. We then reimburse these service providers as claims are processed from our employees. We maintain a specific stop loss provision of $500,000 per individual per plan year with a maximum lifetime benefit limit of $2.0 million per individual. We have no additional liability once a participant exceeds the $2.0 million ceiling. We utilize a review of historical claims, including the timing of claims reported versus payment of claims, to estimate future liabilities related to our medical benefit program. While we make these estimates based on historical experience, current expectations and assumptions that we believe are reasonable, actual results could differ from our estimates. Our liability for medical claims is included as a component of accrued benefits as described in Note 7, "Deferred Revenue and Other Current Liabilities" to our audited consolidated financial statements included in this Annual Report, and was $2.0 million as of December 31, 2013 and $1.9 million as of December 31, 2012.

Our self-insurance liabilities, including the estimated loss accruals for claims incurred but not paid, are determined by taking into account historical claims payment results and known trends such as claims frequency and claims severity. Management makes estimates, judgments, and assumptions with respect to the use of these calculations, including but not limited to, estimated lag time to report and pay claims, average cost per claim, network utilization rates, network discount rates, and other factors.

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Leases

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

Income Taxes

We compute our annual tax rate based on the statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we earn income. Significant judgment is required in determining our annual tax rate and in evaluating uncertainty in our tax positions. We recognize a benefit for tax positions that we believe will more likely than not be sustained upon examination. The amount of benefit recognized is the largest amount of benefit that we believe has more than a 50% probability of being realized upon settlement. We regularly monitor our tax positions and adjust the amount of recognized tax benefit based on our evaluation of information that has become available since the end of our last financial reporting period. The annual tax rate includes the impact of these changes in recognized tax benefits. The difference between the amount of benefit taken or expected to be taken in a tax return and the amount of benefit recognized for financial reporting represents unrecognized tax benefits. These unrecognized tax benefits are presented in the balance sheet principally within other long-term liabilities.

We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. When assessing the need for valuation allowances, we consider future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, we would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income. As of December 31, 2013 and 2012, we had a valuation allowance of $0.6 million and $1.8 million, respectively, principally related to certain foreign and state net operating loss carryforwards.

Recently Issued Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (the "FASB") issued an accounting standard regarding the reclassification of amounts out of accumulated other comprehensive income ("AOCI"). This standard does not change the current requirements for reporting net income or other comprehensive income. However, the standard requires disclosure of amounts reclassified out of AOCI in its entirety, by component, on the face of the statement of operations or in the footnotes to the financial statements. Amounts that are not required to be reclassified in their entirety to net income must be cross-referenced to other disclosures that provide additional detail. This guidance is effective for fiscal years beginning after December 15, 2012. We adopted this guidance during the first quarter of 2013. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In July 2013, the FASB issued an accounting standard regarding the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This standard requires entities to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss ("NOL") or tax credit carryforward whenever the NOL or tax credit carryforward would be available to reduce the additional taxable income or tax due if the tax position is disallowed. This accounting standard update requires entities to assess whether to net the unrecognized tax benefit with a deferred tax asset as of the reporting date. This guidance is effective for fiscal years beginning after December 15, 2013, with early adoption permitted. We will adopt this guidance during the first quarter of

2014, and we do not believe this standard will have a material impact on the consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

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

Interest Rate Market Risk

All of Centers' long-term debt is subject to changing interest rates. Although changes in interest rates do not impact our operating income, the changes could affect the fair value of such debt and related interest payments. Based on our variable rate debt balance as of December 31, 2013, a 1% increase in the interest rates would cause our annual interest rate costs to increase by approximately $5.6 million. A decrease in the current interest rates would have no impact on interest expense due to an interest rate floor that exists under the Senior Credit Facility.

Foreign Currency Exchange Rate Market Risk

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

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Item 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of GNC Holdings, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of GNC Holdings, Inc. and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index appearing under Item 15(a)(2) present 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 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, 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 schedules, 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
Pittsburgh, Pennsylvania
February 20, 2014

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

GNC HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, including share data)

	December 31, 2013	December 31, 2012
Current assets:		
Cash and cash equivalents	$ 226,217	$ 158,541
Receivables, net	144,833	129,641
Inventories (Note 3)	547,916	491,599
Prepaids and other current assets	47,081	39,016
Total current assets	966,047	818,797
Long-term assets:		
Goodwill (Note 5)	666,346	639,915
Brands (Note 5)	720,000	720,000
Other intangible assets, net (Note 5)	142,774	141,717
Property, plant and equipment, net (Note 6)	206,754	199,487
Other long-term assets	38,426	32,124
Total long-term assets	1,774,300	1,733,243
Total assets	$ 2,740,347	$ 2,552,040
Current liabilities:		
Accounts payable	$ 135,164	$ 125,165
Current portion, long-term debt (Note 8)	5,443	3,817
Deferred revenue and other current liabilities (Note 7)	106,459	116,337
Total current liabilities	247,066	245,319
Long-term liabilities:		
Long-term debt (Note 8)	1,341,656	1,094,745
Deferred tax liabilities, net (Note 4)	282,377	283,203
Other long-term liabilities	53,669	46,734
Total long-term liabilities	1,677,702	1,424,682

Total liabilities	1,924,768	1,670,001
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock, $0.001 par value, 300,000 shares authorized:		
Class A, 112,961 shares issued and 93,989 shares outstanding and 18,972 shares held in treasury at December 31, 2013 and 111,725 shares issued and 99,244 shares outstanding and 12,481 shares held in treasury at December 31, 2012	112	111
Paid-in-capital	847,886	810,094
Retained earnings	700,108	492,687
Treasury stock, at cost	(734,482)	(423,900)
Accumulated other comprehensive income	1,955	3,047
Total stockholders' equity	815,579	882,039
Total liabilities and stockholders' equity	$ 2,740,347	$ 2,552,040

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

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GNC HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Income

(in thousands, except per share data)

	Year ended December 31,		
	2013	**2012**	**2011**
Revenue	$ 2,630,308	$ 2,429,983	$ 2,072,179
Cost of sales, including cost of warehousing, distribution and occupancy	1,637,181	1,500,245	1,318,346
Gross profit	993,127	929,738	753,833
Compensation and related benefits	321,947	314,311	291,268
Advertising and promotion	67,224	62,267	52,924
Other selling, general and administrative	131,270	123,484	113,477
Foreign currency (gain) loss	(165)	(90)	121
Transaction and restructuring related costs (Note 2)	12,353	1,926	13,536
Operating income	460,498	427,840	282,507
Interest expense, net (Note 8)	53,029	47,556	74,903
Income before income taxes	407,469	380,284	207,604
Income tax expense (Note 4)	142,448	140,088	75,271
Net income	$ 265,021	$ 240,196	$ 132,333
Income per share Basic and Diluted:			
Net income	$ 265,021	$ 240,196	$ 132,333
Preferred stock dividends			(4,726)
Net income available to common shareholders	$ 265,021	$ 240,196	$ 127,607
Earnings per share:			
Basic	$ 2.75	$ 2.32	$ 1.27
Diluted	$ 2.72	$ 2.29	$ 1.24
Weighted average common shares outstanding:			
Basic	96,481	103,503	100,261

Diluted		97,383		104,911		103,010
Dividends declared per share	$	0.60	$	0.44	$	

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

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Consolidated Statements of Comprehensive Income

(in thousands)

	Year ended December 31,		
	2013	**2012**	**2011**
Net income	$ 265,021	$ 240,196	$ 132,333
Other comprehensive (loss) income:			
Unrealized gains on derivatives and qualified as cash flow hedges, net of tax of $2,718 for the year ended December 31, 2011,			4,751
Foreign currency translation adjustments	(1,092)	323	(747)
Other comprehensive (loss) income	(1,092)	323	4,004
Comprehensive income	$ 263,929	$ 240,519	$ 136,337

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

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GNC HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

(in thousands, includes per share data)

	Common Stock								
	Class A		Class B						
	Shares	**Dollars**	**Shares**	**Dollars**	**Treasury Stock**	**Paid-in-Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income/(Loss)**	**Total Stockholders' Equity**
Balance at December 31, 2010	**59,199**	**$ 60**	**28,169**	**$ 28**	**$ (2,277)**	**$ 451,728**	**$ 171,224**	**$ (1,280)**	**$ 619,483**
Comprehensive income							132,333	4,004	136,337
Issuance of common stock	16,000	16				237,237			237,253
Conversion of Class B stock to Class A stock	26,109	26	(26,109)	(26)					
Purchase of treasury stock	(2,235)				(62,771)				(62,771)
Preferred stock dividends							(4,726)		(4,726)
Conversions to common stock	3,912	3				48,951			48,954
Non-cash stock-based compensation						3,932			3,932
Balance at December 31, 2011	**102,985**	**$ 105**	**2,060**	**$ 2**	**$ (65,048)**	**$ 741,848**	**$ 298,831**	**$ 2,724**	**$ 978,462**
Comprehensive income							240,196	323	240,519
Conversion of Class B stock to Class A stock	2,060	2	(2,060)	(2)					
Purchase of treasury stock	(9,477)				(358,852)				(358,852)
Common stock dividends ($0.44 per share)							(45,216)		(45,216)
Conversions to common stock	3,676	4				63,440			63,444
Non-cash stock-based compensation						4,806			4,806
Other							(1,124)		(1,124)
Balance at December 31, 2012	**99,244**	**$ 111**		**$**	**$ (423,900)**	**$ 810,094**	**$ 492,687**	**$ 3,047**	**$ 882,039**
Comprehensive income							265,021	(1,092)	263,929
Purchase of treasury stock	(6,547)				(310,582)				(310,582)
							(57,600)		(57,600)

Common stock dividends ($0.60 per share)								
Conversions to common stock	1,292	1			29,957			29,958
Non-cash stock-based compensation					7,835			7,835
Balance at December 31, 2013	**93,989**	**$ 112**	**$**	**$ (734,482)**	**$ 847,886**	**$ 700,108**	**$ 1,955**	**$ 815,579**

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

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GNC HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended December 31,		
	2013	**2012**	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 265,021	$ 240,196	$ 132,333
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on early extinguishment of debt	5,712	1,343	19,855
Depreciation and amortization expense	51,814	49,257	46,790
Amortization of debt costs	2,507	2,439	2,756
Provision for inventory losses	18,386	13,067	18,745
Increase in receivables	(16,678)	(18,756)	(13,300)
Increase in inventory	(69,599)	(77,881)	(56,919)
(Increase) decrease in prepaids and other current assets	(9,338)	3,959	(2,783)
Increase in accounts payable	6,628	651	23,243
(Decrease) increase in deferred revenue and other current liabilities	(18,496)	16,395	4,934
Other operating activities	2,147	(9,454)	(980)
Net cash provided by operating activities	238,104	221,216	174,674
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(50,247)	(41,930)	(43,817)
Cash paid for acquisitions (net of cash acquired)	(27,562)		(19,840)
Other investing activities	(1,606)	(1,884)	(1,887)
Net cash used in investing activities	(79,415)	(43,814)	(65,544)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid to shareholders	(57,437)	(45,216)	
Payments on long-term debt	(3,379)	(2,689)	(1,355,973)
Proceeds from exercised stock options	14,588	25,972	28,550
Tax benefit from exercise of stock options	17,852	39,834	22,409
Repurchase of treasury stock	(310,582)	(359,990)	(61,634)
Repurchase of Series A preferred stock			(223,107)
Net proceeds from sale of Class A common stock			237,253
Proceeds from issuance of long-term debt	249,552	199,000	1,196,200
Deferred financing fees	(2,397)	(1,335)	(17,346)
Other financing activities		(2,500)	
Net cash used in financing activities	(91,803)	(146,924)	(173,648)
Effect of exchange rate on cash and cash equivalents	790	(375)	(946)

Net increase (decrease) in cash and cash equivalents	67,676	30,103	(65,464)
Beginning balance, cash and cash equivalents	158,541	128,438	193,902
Ending balance, cash and cash equivalents	$ 226,217	$ 158,541	$ 128,438
Supplemental Cash Flow Information			
Income taxes paid	$ 143,573	$ 102,335	$ 51,088
Interest paid	$ 40,696	$ 45,088	$ 64,122

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

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS

General Nature of Business. GNC Holdings, Inc., a Delaware corporation ("Holdings," and collectively with its subsidiaries and, unless the context requires otherwise, its and their respective predecessors, the "Company"), is a global specialty retailer of health and wellness products, which include: vitamins, minerals and herbal supplements, sports nutrition products, diet products and other wellness products.

The Company is vertically integrated as its operations consist of purchasing raw materials, formulating and manufacturing products and selling the finished products through its three segments: Retail, Franchising, and Manufacturing/Wholesale. Corporate retail store operations are located in the United States, Canada, and Puerto Rico, and in addition the Company offers products domestically through GNC.com, LuckyVitamin.com and www.drugstore.com, and beginning in 2013, the United Kingdom with the acquisition of A1 Sports Limited d/b/a Discount Supplements ("DiscountSupplements.com"). Franchise stores are located in the United States and over 50 international countries (including distribution centers where retail sales are made). The Company operates its primary manufacturing facilities in South Carolina and distribution centers in Arizona, Pennsylvania and South Carolina. The Company manufactures the majority of its branded products, but also merchandises various third-party products. Additionally, the Company licenses the use of its trademarks and trade names.

The processing, formulation, packaging, labeling and advertising of the Company's products are subject to regulation by one or more federal agencies, including the Food and Drug Administration (the "FDA"), the Federal Trade Commission (the "FTC"), the Consumer Product Safety Commission, the United States Department of Agriculture and the Environmental Protection Agency. These activities are also regulated by various agencies of the states and localities in which the Company's products are sold.

Recent Significant Transactions. In March 2011, General Nutrition Centers, Inc. ("Centers"), a wholly owned subsidiary of Holdings, entered into a senior credit facility, consisting of a $1.2 billion term loan facility (the "Term Loan Facility") and an $80.0 million revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Senior Credit Facility"), and utilized the proceeds to repay certain other outstanding indebtedness In August 2012, the Company amended the Term Loan Facility to increase the outstanding borrowings by $200.0 million and in October 2012, Centers amended the Term Loan Facility to adjust the per annum interest rate to the greater of LIBOR and 1.00%, plus an applicable margin of 2.75%. In 2013, the Company amended and restated the Senior Credit Facility to, among other amendments, increase borrowings under the Term Loan Facility by $252.5 million, extend the maturity date of the Term Loan Facility to March 2019, increase the amount available for borrowing under the Revolving Credit Facility to $130.0 million, extend the Revolving Credit Facility maturity date to March 2017, and effect changes to the interest rates applicable to amounts outstanding under the Facility. These transactions are collectively referred to herein as the "Refinancings." See "Note 8: Long-term Debt/Interest Expense" herein for a further description of these items.

In April 2011, Holdings consummated an initial public offering (the "IPO") of 25.875 million shares of its Class A common stock, par value $0.001 per share (the "common stock"), at an IPO price of $16.00 per share. The net proceeds from the IPO, together with cash on hand, were used to redeem all outstanding shares of Holdings' Series A preferred stock, par value $0.001 per share (the "Series A preferred stock"), repay approximately $300.0 million of outstanding borrowings under the Term Loan Facility and pay approximately $11.1 million to satisfy obligations under the Management Services Agreement (as defined in Note 18, "Related Party Transactions") and Holdings' Class B common stock, par value $0.001 per share (the "Class B common stock" and, together with the our common stock, the "common stock"). Subsequent to the IPO, certain of Holdings' stockholders completed four registered

GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1. NATURE OF BUSINESS (Continued)

offerings of our common stock. In conjunction with one of these selling stockholder offerings, in August 2012, the Company repurchased an additional six million shares of our common stock from one of its stockholders as part of a share repurchase program. The IPO, the registered offerings, and the repurchase of the six million shares of our common stock are collectively referred to herein as the "Offerings."

On August 31, 2011, the Company acquired substantially all of the assets and assumed certain liabilities of S&G Properties, LLC d/b/a LuckyVitamin.com and What's The Big Deal?, Inc. d/b/a Gary's "World of Wellness" (collectively referred to as "LuckyVitamin.com"), an online retailer of health and wellness products. The aggregate purchase price of LuckyVitamin.com was approximately $19.8 million.

On March 19, 2012, Ontario Teachers' Pension Plan ("OTPP") converted all of its shares of Class B common stock into an equal number of shares of common stock. In May 2013, Holding's shareholders approved an amendment to the certificate of incorporation deleting the Class B common stock as no shares of Class B common stock were still outstanding.

In February 2013, our board of directors authorized a $250.0 million repurchase program of common stock which was completed in November 2013. Also in November 2013, our board of directors authorized a $500.0 million multi-year share repurchase program of our common stock.

On October 2, 2013, the Company acquired DiscountSupplements.com, an online retailer of multi-brand sports nutrition products in the United Kingdom. The aggregate purchase price of DiscountSupplements.com was $33.3 million.

NOTE 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements and footnotes have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and with the instructions to Form 10-K and Regulation S-X. The Company's normal reporting period is based on a calendar year.

Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Holdings and all of its subsidiaries. All material intercompany transactions have been eliminated in consolidation.

The Company has no relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off balance sheet arrangements, or other contractually narrow or limited purposes.

Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. Accordingly, these estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. On a regular basis, management reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews and if

GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

Cash and Cash Equivalents. The Company considers cash and cash equivalents to include all cash and liquid deposits and investments with an original maturity of three months or less. The majority of payments due from banks for third-party credit and debit cards process within 24 to 72 hours, and are classified as cash equivalents.

Receivables, net. The Company sells product to its franchisees and, to a lesser extent, various third-party customers. Receivables consist principally of trade receivables of $140.8 million and $126.0 million at December 31, 2013 and 2012, respectively, and include unpaid invoices for product sales, franchisee royalties and lease payments. The Company monitors the financial condition of the Company's franchisees and other third-party customers and establishes an allowance for doubtful accounts for balances estimated to be uncollectible. In addition to considering the aging of receivable balances and assessing the financial condition of the Company's franchisees, the Company considers each domestic franchisees' inventory and fixed assets, which the Company can use as collateral in the event of a default by the franchisee. An allowance for international franchisees is calculated based on unpaid, non-collateralized amounts associated with their receivable balance. The allowance for doubtful accounts was $1.9 million and $2.2 million at December 31, 2013 and 2012, respectively.

Inventories. Inventory components consist of raw materials, work-in-process, finished product and packaging supplies. Inventories are stated at the lower of cost or market on a first in/first out basis ("FIFO"). The Company regularly reviews its inventory levels in order to identify slow moving and short dated products, expected length of time for product sell through and future expiring product and adjusts the carrying value for such inventory to estimated net realizable value.

Property, Plant and Equipment. Property, plant and equipment expenditures are recorded at cost. The remaining useful lives range from one year to fifteen years across all asset classes with the exception of buildings. Buildings are depreciated over thirty years and building improvements are depreciated over the remaining useful life of the building. Depreciation and amortization are recognized using the straight-line method over the estimated useful life of the property. Fixtures are depreciated over three to fifteen years, and equipment is generally depreciated over ten years. Computer equipment and software costs are generally depreciated over three to five years. Amortization of improvements to retail leased premises is recognized using the straight-line method over the estimated useful life of the improvements, or over the life of the related leases including renewals that are reasonably assured, whichever period is shorter.

Expenditures that materially increase the value or clearly extend the useful life of property, plant and equipment are capitalized in accordance with the policies outlined above. Repair and maintenance costs incurred in the normal operations of business are expensed as incurred. Gains/losses from the sale of property, plant and equipment are recognized in current operations.

Goodwill and Intangible Assets. Goodwill represents the excess of purchase price over the fair value of identifiable net assets of businesses, including franchisees, acquired by the Company. Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. The Company completes its annual impairment test in the fourth quarter. The Company performs a qualitative assessment to determine whether it is "more likely than not" that the fair value of

GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the reporting unit is less than its carrying value. The qualitative factors considered are general macroeconomic conditions, industry specific conditions, historical performance, and future outlooks. If it is concluded that it is "more likely than not" that the fair value of a reporting unit is less than its carrying value, the Company is required to perform a two-step goodwill impairment test. As a result of the Company's annual impairment analysis, no impairment was recorded for the year ended December 31, 2013. See Note 5, "Goodwill, Brands, and Other Intangible Assets, Net."

Long-lived Assets. The Company reviews the carrying value of property and equipment and amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Factors the Company considers important that may trigger an impairment review include significant changes in the manner of its use of assets, significant negative industry or economic trends, underperforming stores and store closings. These reviews may include an analysis of the current operations and capacity utilization, in conjunction with an analysis of the markets in which the businesses are operating. When an impairment review is considered necessary, a comparison is performed of the undiscounted projected cash flows from the use and eventual disposition of the asset group to the net book value of the related asset group. If it is determined that the carrying value of the asset group may not be recoverable, a charge to adjust the carrying value of the long-lived assets to estimated fair value may be required.

Revenue Recognition. The Company operates predominantly as a retailer, through company-owned stores, franchise stores and its e-commerce businesses and to a lesser extent through manufacturing and wholesale operations.

The Retail segment recognizes revenue at the moment a sale to a customer is recorded. These revenues are recorded via the Company's point of sales system. Gross revenues are netted by actual customer returns and an allowance for expected customer returns. The Company records a reserve for expected customer returns based on management's estimate, which is derived from historical return data and expectations of future return volume. Revenue is deferred on sales of the Company's Gold Cards and subsequently amortized over the 12 month membership period, in order to match the discounts associated with the Gold Card program. During 2013, the Company completed the nationwide rollout of the Gold Card Member Pricing model, which evolved the Gold Card from a 20% discount the first week of the month to an everyday variable discount based on our Member Pricing model, for an annual fee.

The Company also sells gift cards to its customers. Revenue from gift cards is recognized when the gift card is redeemed. These gift cards do not have expiration dates. Based upon historical redemption rates, a small percentage of gift cards will never be redeemed, referred to as "breakage." The Company recognizes gift card breakage revenue when the likelihood of redemption becomes remote and amounts are not escheatable.

The Franchise segment generates revenues through product sales to franchisees, royalties, franchise fees and interest income on the financing of the franchise locations. See Note 17, "Franchise Revenue." These revenues are netted by actual franchisee returns and an allowance for projected returns. The franchisees purchase a majority of the products they sell from the Company at wholesale prices. Revenue on product sales to franchisees is recognized when risk of loss, title and insurable risks have transferred to the franchisee. Franchise fees are paid in advance, deferred and recognized by the Company at the time of a franchise store opening. Franchise royalties are earned based on a percentage of the franchisees' sales

GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and recognized in the period the franchisees' sales occur. Interest on the financing of franchisee notes receivable is recognized as it becomes due and payable. Gains from the sale of company-owned stores to franchisees are recognized in accordance with the standard on accounting for sales of real estate. This standard requires gains on sales of corporate stores to franchisees to be deferred until certain criteria are satisfied regarding the collectability of the related receivable and the seller's remaining obligations.

The Manufacturing/Wholesale segment sells product primarily to the other Company segments and third-party customers. Revenue is recognized when risk of loss, title and insurable risks have transferred to the customer, net of estimated returns and allowances.

Cost of Sales. The Company purchases products directly from third-party manufacturers and manufactures its own products. The Company's cost of sales includes product costs, costs of warehousing and distribution and occupancy costs.

Vendor Allowances. The Company receives credits as purchase price rebates based on arrangements with certain vendors. The Company also enters into arrangements with certain vendors through which the Company receives rebates for purchases during the year typically based on volume discounts. As the right of offset exists under these arrangements, rebates received under both arrangements are recorded as a reduction in the vendors' accounts payable balances on the balance sheet and represent the estimated amounts due to the Company under the rebate provisions of such contracts. The corresponding rebate income is recorded as a reduction of cost of goods sold based on inventory turnover. The amount recorded as a reduction to cost of goods sold was $92.6 million, $81.5 million and $64.7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Research and Development. Research and development costs arising from internally generated projects are expensed by the Company as incurred. The Company recognized $1.4 million, $1.1 million and $0.6 million for the years ended December 31, 2013, 2012 and 2011, respectively. These costs are included in Other Selling, General, and Administrative costs in the accompanying audited consolidated financial statements.

Advertising Expenditures. The Company recognizes advertising, promotion and marketing program costs the first time the advertising takes place, with the exception of the costs of producing advertising, which are expensed as incurred during production. The Company administers national advertising funds on behalf of its franchisees. In accordance with the franchisee contracts, the Company collects advertising fees from the franchisees and utilizes the proceeds to coordinate various advertising and marketing campaigns. The Company recognized advertising expense of $67.2 million, $62.3 million and $52.9 million for the years ended December 31, 2013, 2012 and 2011, respectively, net of approximately $15.4 million, $14.4 million and $12.2 million in 2013, 2012 and 2011 from the national advertising fund derived from the Company's franchisees, respectively.

Leases. The Company has various operating leases for company-owned and franchise store locations, distribution centers, and equipment. Leases generally include amounts relating to base rental, percent rent and other charges such as common area maintenance fees and real estate taxes. Periodically, the Company receives varying amounts of reimbursements from landlords to compensate the Company for costs incurred in the construction of stores. These reimbursements are amortized by the Company as an offset to rent expense over the life of the related lease. The Company determines the period used for the

GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

straight-line rent expense for leases with option periods and conforms it to the term used for amortizing improvements.

The Company leases an approximately 300,000 square foot-facility in Greenville, South Carolina where the majority of its proprietary products are manufactured. The Company also leases a 630,000 square foot complex located in Anderson, South Carolina, for packaging, materials receipt, lab testing, warehousing, and distribution. Both the Greenville and Anderson facilities are leased on a long-term basis pursuant to "fee-in-lieu-of-taxes" arrangements with the counties in which the facilities are located, but the Company retains the right to purchase each of the facilities at any time during the lease for $1.00, subject to a loss of tax benefits. As part of a tax incentive arrangement, the Company assigned the facilities to the counties and leases them back under operating leases. The Company leases the facilities from the counties where located, in lieu of paying local property taxes. Upon exercising its right to purchase the facilities back from the counties, the Company will be subject to the applicable taxes levied by the counties. As a result, the original cost basis of the facilities remains on the balance sheet and continues to be depreciated.

Contingencies. In accordance with the standards on contingencies the Company accrues a loss contingency if it is probable and can be reasonably estimated or a liability had been incurred at the date of the financial statements if those financial statements have not been issued. If both of the conditions above are not met, disclosure of the contingency is made when there is at least a reasonable possibility that a loss or an additional loss may have been incurred.

Pre-Opening Expenditures. The Company recognizes the cost associated with the opening of new stores as incurred. These costs are charged to expense and are not material for the periods presented. Franchise store pre-opening costs are incurred by the franchisees.

Income Taxes. The Company utilizes the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. It is the Company's policy to recognize interest and penalties related to uncertain tax positions as a component of income tax expense. See Note 4, "Income Taxes."

Self-Insurance. The Company has procured insurance for: (1) general liability; (2) product liability; (3) directors and officers liability; and (4) property insurance; (5) workers' compensation insurance; and (6) various other areas. The Company is self-insured for: (1) medical benefits; (2) physical damage to the Company's vehicles for field personnel use; and (3) physical damages that may occur at the corporate store locations. The Company is not insured for certain property and casualty risks due to the Company's assessment of frequency and severity of a loss, the cost of insurance and the overall risk analysis.

The Company carries product liability insurance with a retention of $4.0 million per claim with an aggregate cap on retained losses of $10.0 million. The Company carries general liability insurance with retention of $250,000 per claim with an aggregate cap on retained losses of $1.0 million. The majority of the Company's workers' compensation and auto insurance policies are in deductible/retrospective plans.

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company reimburses the applicable insurance company for the workers' compensation and auto liability claims, subject to a $250,000 and $100,000 loss limit per claim, respectively.

As part of the medical benefits program, the Company contracts with national service providers to provide benefits to its employees for all medical, dental, vision and prescription drug services. The Company then reimburses these service providers as claims are processed from Company employees. The Company maintains a specific stop loss provision of $500,000 per individual per plan year with a maximum lifetime benefit limit of $2.0 million per individual. The Company has no additional liability once a participant exceeds the $2.0 million ceiling. The Company's liability for medical claims is included as a component of accrued benefits in Note 7, "Deferred Revenue and Other Current Liabilities," and was $2.0 million and $1.9 million as of December 31, 2013 and 2012, respectively.

Our self-insurance liabilities, including the estimated loss accruals for claims incurred but not paid, are determined by taking into account historical claims payment results and known trends such as claims frequency and claims severity. Management makes estimates, judgments, and assumptions with respect to the use of these calculations, including but not limited to, estimated lag time to report and pay claims, average cost per claim, network utilization rates, network discount rates, and other factors.

Stock-based Compensation. The Company utilizes the Black-Scholes model to calculate the fair value of stock option awards (herein referred to as "option awards"). The grant-date fair value of the Company's restricted stock awards, time vesting restricted stock units, and performance vesting restricted stock units (collectively herein referred to as "stock awards") are based on the closing price for a share of the Company's stock on the New York Stock Exchange (the "NYSE") on the grant date. The resulting compensation cost is recognized in the Company's financial statements over the applicable vesting period for the relevant award.

Earnings Per Share. Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share is computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding adjusted for the additional dilutive effect of unexercised option awards and unvested restricted awards.

Foreign Currency. For all foreign operations, the functional currency is the local currency. Assets and liabilities of those operations, denominated in foreign currencies, are translated into U.S. dollars using period-end exchange rates, and income and expenses are translated using the average exchange rates for the reporting period. Gains or losses resulting from foreign currency transactions are included in results of operations. At December 31, 2013 and 2012, foreign currency is the only component of accumulated other comprehensive income.

Transaction and restructuring related costs. Restructuring related costs are recorded in the period in which the liability is incurred. Additionally, any change in the expected liability is recorded in the period the change in estimate occurs. In October 2013, the Company transitioned to a third-party pooled carrier product transportation network and moved away from the Company's existing private fleet. The cost related to this transition was $12.2 million, consisting of early lease termination on transportation equipment of $9.8 million and employee severance and other costs of $2.4 million. At December 31, 2013,

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the Company had an immaterial liability related to these restructuring costs. All remaining costs related to the restructuring are expected to be paid in the first quarter of 2014.

The Company recognizes transaction related costs as expense in the period incurred. For the years ended December 31, 2013 and 2012, the Company incurred $0.2 million and $1.9 million in transaction related costs.

Financial Instruments and Derivatives. As part of the Company's financial risk management program, it has historically used certain derivative financial instruments to reduce its exposure to market risk for changes in interest rates, primarily in respect of its long term debt obligations. The Company has not historically entered into, and does not intend to enter into, derivative transactions for speculative purposes and holds no derivative instruments for trading purposes. Floating-to-fixed interest rate swap agreements, designated as cash flow hedges of interest rate risk, were entered into from time to time to hedge the Company's exposure to interest rate changes on a portion of the Company's floating rate debt. These interest rate swap agreements converted a portion of the Company's floating rate debt to fixed rate debt. Interest rate floors designated as cash flow hedges involved the receipt of variable-rate amounts from a counterparty if interest rates fell below the strike rate on the contract in exchange for an upfront premium. The Company recorded the fair value of these contracts as an asset or a liability, as applicable, in the balance sheet, with the offset to accumulated other comprehensive income (loss), net of tax. The Company measured hedge effectiveness by assessing the changes in the fair value or expected future cash flows of the hedged item. The ineffective portions, if any, were recorded in interest expense in the current period.

During 2011, the Company had interest rate swap agreements outstanding that effectively converted notional amounts of an aggregate $550.0 million of debt from floating to fixed interest rates. The four outstanding agreements were to mature between April 2011 and September 2012. Amounts related to derivatives were reported in accumulated other comprehensive income (loss) and reclassified to interest expense as interest payments were made on the Company's variable-rate debt. In conjunction with the 2011 Refinancing, the Company utilized proceeds of the Senior Credit Facility to repay in full its prior senior credit facility and then-outstanding senior and senior subordinated notes, and the four interest rate swap agreements were settled and terminated for an aggregate cost of $8.7 million, of which $5.8 million was reclassified from accumulated other comprehensive income (loss) to interest expense. No such material derivative instruments are currently outstanding.

Reclassifications

Certain amounts in the consolidated financial statements of prior year periods have been reclassified to conform to the current period's presentation. These changes were reflected for all periods presented.

Recently Issued Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (the "FASB") issued an accounting standard regarding the reclassification of amounts out of accumulated other comprehensive income ("AOCI"). This standard does not change the current requirements for reporting net income or other comprehensive income. However, the standard requires disclosure of amounts reclassified out of AOCI in its entirety, by component, on the face of the statement of operations or in the footnotes to the financial statements. Amounts that are not required to be reclassified in their entirety to net income must be cross-

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

referenced to other disclosures that provide additional detail. This guidance is effective for fiscal years beginning after December 15, 2012. The Company adopted this guidance during the first quarter of 2013. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In July 2013, the FASB issued an accounting standard regarding the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This standard requires entities to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss ("NOL") or tax credit carryforward whenever the NOL or tax credit carryforward would be available to reduce the additional taxable income or tax due if the tax position is disallowed. This accounting standard update requires entities to assess whether to net the unrecognized tax benefit with a deferred tax asset as of the reporting date. This guidance is effective for fiscal years beginning after December 15, 2013, with early adoption permitted. The Company will adopt this guidance during the first quarter of 2014, and does not believe this standard will have a material impact on the consolidated financial statements.

NOTE 3. INVENTORIES, NET

The net carrying value of inventories consisted of the following:

	December 31,	
	2013	**2012**
	(in thousands)	
Finished product ready for sale	$ 458,366	$ 415,096
Work-in-process, bulk product and raw materials	81,575	70,022
Packaging supplies	7,975	6,481
Total	$ 547,916	$ 491,599

NOTE 4. INCOME TAXES

Income before income taxes consisted of the following components:

	Year ended December 31,		
	2013	**2012**	**2011**
	(in thousands)		
Domestic	$ 389,459	$ 372,669	$ 206,971
Foreign	18,010	7,615	633
Total income before income taxes	$ 407,469	$ 380,284	$ 207,604

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GNC HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. INCOME TAXES (Continued)

Income tax expense (benefit) for all periods consisted of the following components:

	Year ended December 31,		
	2013	2012	2011
	(in thousands)		
Current:			
Federal	$ 120,137	$ 117,332	$ 63,130
State	15,433	21,099	13,371
Foreign	8,656	5,022	4,091
	144,226	143,453	80,592
Deferred:			
Federal	(363)	(2,238)	(3,310)
State	(955)	(1,222)	(1,351)
Foreign	(460)	95	(660)
	(1,778)	(3,365)	(5,321)
Income tax expense	$ 142,448	$ 140,088	$ 75,271