WEIGHT WATCHERS INTERNATIONAL INC
Form 10-Q
May 12, 2011
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 2, 2011

OR

¨ **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: 001-16769

WEIGHT WATCHERS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Virginia	**11-6040273**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

11 Madison Avenue, 17th Floor, New York, New York 10010

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: (212) 589-2700

(Former name, former address and former fiscal year, if changed since last report)

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 x No ¨

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 x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer ¨
Non-Accelerated Filer ¨ (Do not check if a smaller reporting company)	Smaller Reporting Company ¨

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

The number of shares of common stock outstanding as of April 30, 2011 was 73,031,820.

WEIGHT WATCHERS INTERNATIONAL, INC.

TABLE OF CONTENTS

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS AT

(IN THOUSANDS)

	April 2, 2011	January 1, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 77,246	$ 40,534
Receivables, net	46,765	43,722
Inventories, net	38,320	40,571
Prepaid income taxes	8,826	11,619
Deferred income taxes	19,763	19,800
Prepaid expenses and other current assets	33,987	34,196
TOTAL CURRENT ASSETS	224,907	190,442
Property and equipment, net	29,610	30,930
Franchise rights acquired	768,797	765,864
Goodwill	50,019	51,425
Trademarks and other intangible assets, net	30,743	29,962
Deferred financing costs, net and other noncurrent assets	21,956	23,364
TOTAL ASSETS	$ 1,126,032	$ 1,091,987
LIABILITIES AND TOTAL DEFICIT		
CURRENT LIABILITIES		
Portion of long-term debt due within one year	$ 148,986	$ 197,524
Accounts payable	44,522	39,589
Dividend payable	13,065	13,158
Derivative payable	29,143	39,753
UK self-employment liability	43,196	40,782
Accrued liabilities	146,777	132,028
Income taxes payable	26,280	2,613
Deferred revenue	118,315	73,688
TOTAL CURRENT LIABILITIES	570,284	539,135
Long-term debt	1,101,962	1,167,561
Deferred income taxes	76,793	62,807
Other	13,549	13,208
TOTAL LIABILITIES	1,762,588	1,782,711

TOTAL DEFICIT		
Common stock, $0 par value; 1,000,000 shares authorized; 111,988 shares issued	0	0
Treasury stock, at cost, 38,959 shares at April 2, 2011 and 38,618 shares at January 1, 2011	(1,812,364)	(1,794,066)
Retained earnings	1,169,098	1,103,817
Accumulated other comprehensive income (loss)	3,084	(4,517)
TOTAL WEIGHT WATCHERS INTERNATIONAL, INC. DEFICIT	(640,182)	(694,766)
Noncontrolling interest	3,626	4,042
TOTAL DEFICIT	(636,556)	(690,724)
TOTAL LIABILITIES AND TOTAL DEFICIT	$ 1,126,032	$ 1,091,987

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

2

Table of Contents

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended	
	April 2, 2011	April 3, 2010
Meeting fees, net	$ 268,912	$ 218,218
Product sales and other, net	142,555	114,513
Internet revenues	91,965	55,266
Revenues, net	503,432	387,997
Cost of meetings, products and other	207,189	166,806
Cost of Internet revenues	13,101	9,508
Cost of revenues	220,290	176,314
Gross profit	283,142	211,683
Marketing expenses	95,665	74,463
Selling, general and administrative expenses	51,746	45,793
Operating income	135,731	91,427
Interest expense	18,173	18,705
Other (income) expense, net	(470)	620
Income before income taxes	118,028	72,102
Provision for income taxes	44,851	28,016
Net income	73,177	44,086
Net loss attributable to the noncontrolling interest	416	491
Net income attributable to Weight Watchers International, Inc.	$ 73,593	$ 44,577
Earnings per share attributable to Weight Watchers International, Inc.		
Basic	$ 1.01	$ 0.58
Diluted	$ 1.00	$ 0.58
Weighted average common shares outstanding		
Basic	72,919	77,053
Diluted	73,709	77,231
Dividends declared per common share	$ 0.18	$ 0.18

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

Table of Contents

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	Three Months Ended	
	April 2, 2011	April 3, 2010
Cash provided by operating activities	$ 184,056	$ 64,263
Investing activities:		
Capital expenditures	(2,215)	(1,085)
Capitalized software expenditures	(4,317)	(2,576)
Other items, net	108	(196)
Cash used for investing activities	(6,424)	(3,857)
Financing activities:		
Payments of long-term debt	(114,137)	(38,750)
Payment of dividends	(12,974)	(13,545)
Tax benefit from restricted stock units vested and stock options exercised	1,245	0
Payments to acquire treasury stock	(34,924)	0
Proceeds from stock options exercised	18,135	21
Cash used for financing activities	(142,655)	(52,274)
Effect of exchange rate changes on cash and cash equivalents and other	1,735	(2,576)
Net increase in cash and cash equivalents	36,712	5,556
Cash and cash equivalents, beginning of period	40,534	46,137
Cash and cash equivalents, end of period	$ 77,246	$ 51,693

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

Table of Contents

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. Basis of Presentation

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

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and include amounts that are based on management s best estimates and judgments. While all available information has been considered, actual amounts could differ from those estimates. The consolidated financial statements are unaudited but, in the opinion of management, reflect all adjustments including those of a normal recurring nature necessary for a fair statement of the interim results presented.

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

These statements should be read in conjunction with the Company s Annual Report on Form 10-K for fiscal 2010, which includes additional information about the Company, its results of operations, its financial position and its cash flows.

2. Summary of Significant Accounting Policies

In January 2010, the Financial Accounting Standards Board (the FASB) issued authoritative guidance revising certain disclosure requirements concerning fair value measurements. The guidance requires an entity to disclose separately significant transfers into and out of Levels 1 and 2 of the fair value hierarchy and to disclose the reasons for such transfers. It also requires the presentation of purchases, sales, issuances and settlements within Level 3, on a gross basis rather than a net basis. These new disclosure requirements were effective for the Company beginning with its first fiscal quarter of 2010, except for the additional disclosure of Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. The Company did not have any such transfers into and out of Levels 1 and 2 during the three months ended April 2, 2011.

In October 2009, new revenue recognition guidance was issued regarding arrangements with multiple deliverables. The new guidance permits companies to recognize revenue from certain deliverables earlier than previously permitted, if certain criteria are met. The new guidance is effective for fiscal years beginning on or after June 15, 2010 and did not have a material impact on the Company s financial position, results of operations or cash flows.

For a discussion of the Company s other significant accounting policies, see Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements of the Company s Annual Report on Form 10-K for fiscal 2010.

3. Acquisitions

The acquisitions of certain franchisees have been accounted for under the purchase method of accounting and, accordingly, their earnings have been included in the consolidated operating results of the Company since their dates of acquisition. There have been no key acquisitions since 2008.

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

4. Goodwill and Intangible Assets

For the three months ended April 2, 2011, the change in goodwill was due to the closing of the Company s Finland business and foreign currency fluctuations. The Company s goodwill by reportable segment at April 2, 2011 was $23,819 related to its WWI segment and $26,200 related to its WW.com segment. Franchise rights acquired are due to acquisitions of the Company s franchised territories. For the three months ended April 2, 2011, the change in franchise rights acquired was due to foreign currency fluctuations.

Aggregate amortization expense for finite-lived intangible assets was recorded in the amounts of $3,856 and $3,739 for the three months ended April 2, 2011 and April 3, 2010, respectively.

The carrying amount of finite-lived intangible assets as of April 2, 2011 and January 1, 2011 was as follows:

	April 2, 2011		January 1, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Capitalized software costs	$ 55,681	$ 37,035	$ 52,293	$ 34,423
Trademarks	9,825	9,034	9,813	8,952
Website development costs	36,761	25,774	35,245	24,350
Other	7,034	6,715	7,033	6,697
	$ 109,301	$ 78,558	$ 104,384	$ 74,422

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

Remainder of fiscal 2011	$ 10,899
Fiscal 2012	$ 9,595
Fiscal 2013	$ 6,145
Fiscal 2014	$ 2,893
Fiscal 2015	$ 901

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

5. Long-Term Debt

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

	April 2, 2011		January 1, 2011	
	Balance	Effective Rate	Balance	Effective Rate
Revolver I due 2011	$	3.25%	$ 1,674	3.25%
Revolver I due 2011	38,826	1.31%	56,565	1.29%
Revolver II due 2014		4.75%	3,326	4.75%
Revolver II due 2014	77,174	2.81%	112,435	2.83%
Term A Loan due 2011	29,125	1.31%	58,250	1.35%
Additional Term A Loan due 2013	188,952	1.31%	209,053	1.36%
Term B Loan due 2014	239,375	1.81%	240,000	1.86%
Term C Loan due 2015	437,436	2.56%	443,117	2.65%
Term D Loan due 2016	240,060	2.56%	240,665	2.65%
Total Debt	1,250,948	2.16%	1,365,085	2.01%
Less Current Portion	148,986		197,524	
Total Long-Term Debt	$ 1,101,962		$ 1,167,561	

The Company s credit facilities consist of a term loan facility and a revolving credit facility (collectively, the WWI Credit Facility). The term loan facility consists of two tranche A loans (Term A Loan and Additional Term A Loan), a tranche B loan (Term B Loan), a tranche C loan (Term C Loan), and a tranche D loan (Term D Loan), in an aggregate original principal amount of $1,550,000. The revolving credit facility (the Revolver) consists of two tranches (Revolver I and Revolver II) of up to $500,000 in the aggregate. At April 2, 2011, the Company had $1,250,948 outstanding under the WWI Credit Facility. In addition, at April 2, 2011, there was $382,973 available under the Revolver.

At April 2, 2011, the Term A Loan, Additional Term A Loan and Revolver I bore interest at a rate equal to LIBOR plus 1.00% per annum; the Term B Loan bore interest at a rate equal to LIBOR plus 1.50% per annum; the Term C Loan and Term D Loan bore interest at a rate equal to LIBOR plus 2.25% per annum; and the Revolver II bore interest at a rate equal to LIBOR plus 2.50% per annum. In addition to paying interest on outstanding principal under the WWI Credit Facility, at April 2, 2011, the Company was required to pay a commitment fee to the lenders under the Revolver I and Revolver II with respect to the unused commitments at a rate equal to 0.20% per annum and 0.50% per annum, respectively.

The WWI Credit Facility contains customary covenants including covenants that, in certain circumstances, restrict the Company s ability to incur additional indebtedness, pay dividends on and redeem capital stock, make other payments, including investments, sell its assets and enter into consolidations, mergers and transfers of all or substantially all of its assets. The WWI Credit Facility also requires the Company to maintain specified financial ratios and satisfy certain financial condition tests. At April 2, 2011, the Company was in compliance with all of the required financial ratios and also met all of the financial condition tests and expects to continue to do so for the foreseeable future. The WWI Credit Facility contains customary events of default. Upon the occurrence of an event of default under the WWI Credit Facility, the lenders thereunder may cease making loans and declare amounts outstanding to be immediately due and payable. The WWI Credit Facility is guaranteed by certain of the Company s existing and future subsidiaries. Substantially all the assets of the Company collateralize the WWI Credit Facility.

The Company previously amended the WWI Credit Facility on June 26, 2009 to allow it to make loan modification offers to all lenders of any tranche of term loans or revolving loans to extend the maturity date of

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

such loans and/or reduce or eliminate the scheduled amortization. Any such loan modifications would be effective only with respect to such tranche of term loans or revolving loans and only with respect to those lenders that accept the Company s offer. Loan modification offers may be accompanied by increased pricing and/or fees payable to accepting lenders. This amendment also provides for up to an additional $200,000 of incremental term loan financing through the creation of a new tranche of term loans, provided that the aggregate principal amount of such new term loans cannot exceed the amount then outstanding under the Company s existing revolving credit facility. In addition, the proceeds from such new tranche of term loans must be used solely to repay certain outstanding revolving loans and permanently reduce the commitments of certain revolving lenders.

On April 8, 2010, the Company amended the WWI Credit Facility pursuant to a loan modification offer to all lenders of all tranches of term loans and revolving loans to, among other things, extend the maturity date of such loans. In connection with this amendment, certain lenders converted a total of $454,480 of their outstanding term loans under the Term A Loan ($151,775) and Additional Term A Loan ($302,705) into term loans under the new Term C Loan which matures on June 30, 2015 (or 2013, upon the occurrence of certain events described in the WWI Credit Facility agreement), and a total of $241,875 of their outstanding term loans under the Term B Loan into term loans under the new Term D Loan which matures on June 30, 2016. In addition, certain lenders converted a total of $332,647 of their outstanding Revolver I commitments into commitments under the new Revolver II which terminates on June 30, 2014 (or 2013, upon the occurrence of certain events described in the WWI Credit Facility agreement), including a proportionate amount of their outstanding Revolver I loans into Revolver II loans. Following these conversions of a total of $1,029,002 of loans and commitments, at April 8, 2010, the Company had the same amount of debt outstanding under the WWI Credit Facility and amount of availability under the Revolver as it had immediately prior to such conversions. In connection, with this loan modification offer, the Company incurred fees of approximately $11,500 during the second quarter of fiscal 2010.

6. Treasury Stock

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

During the three months ended April 2, 2011, the Company purchased 814 shares of its common stock in the open market under the repurchase program for a total cost of $31,550. During the three months ended April 3, 2010, the Company did not purchase any shares of its common stock.

7. Earnings Per Share

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

Table of Contents

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

The following table sets forth the computation of basic and diluted EPS:

	Three Months Ended	
	April 2, 2011	**April 3, 2010**
Numerator:		
Net income attributable to Weight Watchers International, Inc.	$ 73,593	$ 44,577
Denominator:		
Weighted average shares of common stock outstanding	72,919	77,053
Effect of dilutive common stock equivalents	790	178
Weighted average diluted common shares outstanding	73,709	77,231
EPS attributable to Weight Watchers International, Inc.:		
Basic	$ 1.01	$ 0.58
Diluted	$ 1.00	$ 0.58

The number of anti-dilutive common stock equivalents excluded from the calculation of weighted average shares for diluted EPS was 352 and 1,925 for the three months ended April 2, 2011 and April 3, 2010, respectively.

8. Stock Plans

On May 6, 2008, May 12, 2004 and December 16, 1999, respectively, the Company s shareholders approved the 2008 Stock Incentive Plan (the 2008 Plan), the 2004 Stock Incentive Plan (the 2004 Plan) and the 1999 Stock Purchase and Option Plan (the 1999 Plan and together with the 2008 Plan and the 2004 Plan, the Stock Plans). These plans are designed to promote the long-term financial interests and growth of the Company by attracting, motivating and retaining employees with the ability to contribute to the success of the business and to align compensation for the Company s employees over a multi-year period directly with the interests of the shareholders of the Company. The Company s Board of Directors or a committee thereof administers the Stock Plans.

In connection with the Company s annual grant of stock compensation, on March 25, 2011, the Company granted 213 non-qualified stock options and 83 restricted stock units (RSUs) to certain employees. The options and RSUs will vest on the third anniversary of the date of grant and the options will expire 10 years from the date of grant. The options and RSUs had an aggregate estimated grant-date fair value of $4,368 and $5,359, respectively.

9. Income Taxes

The effective tax rates for the three months ended April 2, 2011 and April 3, 2010 were 38.0% and 38.9%, respectively. For the three months ended April 2, 2011, the primary differences between the US federal statutory tax rate and the Company s effective tax rate were state income taxes and increases in valuation allowances, offset by lower rates in certain foreign jurisdictions and the reversal of certain tax reserves due to the expiration of the applicable statute of limitations. For the three months ended April 3, 2010, the primary differences between the US federal statutory tax rate and the Company s effective tax rate were state income taxes, offset by lower statutory rates in certain foreign jurisdictions.

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

10. Legal

UK Self-Employment Matter

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

In September 2007, the Company appealed HMRC s notices as to these classifications and against any amount of PAYE and NIC liability claimed to be owed by the Company and the Company s appeal was heard by the UK First Tier Tribunal (Tax Chamber) (formerly known as the UK VAT and Duties Tribunal and hereinafter referred to as the First Tier Tribunal) in June 2009 and October 2009. In February 2010, the First Tier Tribunal issued a ruling that the Company s UK leaders should have been classified as employees for UK tax purposes and, as such, the Company should have withheld tax from its leaders pursuant to the PAYE and NIC collection rules for the period from April 2001 to April 2007 with respect to services performed by the leaders for the Company. The Company is appealing this adverse ruling and a hearing before the UK Upper Tribunal (Tax and Chancery Chamber) is scheduled for fall 2011.

In light of this adverse ruling and in accordance with accounting guidance for contingencies, the Company recorded in the fourth quarter of fiscal 2009 a reserve for the period from April 2001 through the end of fiscal 2009, inclusive of estimated accrued interest. As it did beginning in the first quarter of fiscal 2010, the Company has recorded, and also intends to continue to record, a reserve for UK withholding taxes with respect to its UK leaders consistent with this ruling on a quarterly basis. Accordingly, the aggregate reserve for the period from April 2001 through the end of the first quarter of fiscal 2011 is approximately $43,196.

Sabatino v. Weight Watchers North America, Inc.

In September 2009, a lawsuit was filed in the Superior Court of California by one of the Company s former leaders alleging violations of certain California wage and hour laws on behalf of herself, and, if approved by the court, other leaders and those employees who have performed the location coordinator function in California since September 17, 2005. In this matter, the plaintiff is seeking unpaid wages and certain other damages. In October 2009, the Company answered the complaint and removed the case to the U.S. District Court for the Northern District of California (the Federal Court). In July 2010, the plaintiff filed an amended complaint adding two additional named plaintiffs for this matter. In October 2010, the parties engaged in mediation and reached an agreement in principle to settle this matter in its entirety and, accordingly, the Company has recorded a reserve with respect to this matter of $6,500. The settlement is dependent upon final approval of the Federal Court. The parties submitted the proposed settlement to the Federal Court in December 2010. In January 2011, the parties received the Federal Court s preliminary approval of the settlement. A hearing seeking final approval of the settlement by the Federal Court is scheduled for spring 2011.

Hanson-Kelly & Jackson v. Weight Watchers North America, Inc. and Weight Watchers International, Inc.

In January 2010, a lawsuit was filed in the U.S. District Court for the Middle District of North Carolina by two leaders alleging violations of certain federal and North Carolina wage and hour laws on behalf of themselves, and, if approved by the court, other leaders and receptionists in North Carolina since January 25, 2007. In this matter, the plaintiffs are seeking unpaid wages and certain other damages. In April 2010, the Company filed a Motion to Dismiss the claim for unpaid wages under the North Carolina wage and hour laws. The court has not ruled yet on this Motion. Although the Company disagrees with the allegations that it has violated federal and North Carolina wage and hour laws and the Company believes it has valid defenses with respect to this matter,

10

Table of Contents

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

litigation is inherently unpredictable. At this time, it is not possible to determine the outcome of, or estimate the liability related to, this action and the Company has not made any provision for losses in connection with it.

Other Litigation Matters

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

11. Derivative Instruments and Hedging

As of April 2, 2011 and April 3, 2010, the Company had in effect interest rate swaps with notional amounts of $977,500 and $1,271,250, respectively. In January 2009, the Company entered into a forward-starting interest rate swap with an effective date of January 4, 2010 and a termination date of January 27, 2014. During the term of this forward-starting interest rate swap, the notional amount will fluctuate. The initial notional amount was $425,000 and the highest notional amount will be $755,000.

The Company is hedging forecasted transactions for periods not exceeding the next five years. At April 2, 2011, given the current configuration of its debt, the Company estimates that no derivative gains or losses reported in accumulated other comprehensive income (loss) will be reclassified to the Statements of Income within the next 12 months due to hedge ineffectiveness.

As of April 2, 2011 and April 3, 2010, cumulative losses for qualifying hedges were reported as a component of accumulated other comprehensive income (loss) in the amount of $17,633 ($28,907 before taxes) and $24,149 ($39,589 before taxes), respectively. For the three months ended April 2, 2011 and April 3, 2010, there were no fair value adjustments recorded in the Statements of Income since all hedges were considered qualifying and effective.

The Company expects approximately $13,246 ($21,714 before taxes) of derivative losses included in accumulated other comprehensive income (loss) at April 2, 2011, based on current market rates, will be reclassified into earnings within the next 12 months.

12. Fair Value Measurements

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

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

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

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

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

Fair Value of Financial Instruments

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

Table of Contents

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

The fair value of the Company s long-term debt is determined by utilizing average bid prices on or near the end of each fiscal quarter. As of April 2, 2011 and April 3, 2010, the fair value of the Company s long-term debt was approximately $1,250,304 and $1,398,669, respectively.

Derivative Financial Instruments

The fair values for the Company s derivative financial instruments are determined using observable current market information such as the prevailing LIBOR interest rate and LIBOR yield curve rates and include consideration of counterparty credit risk. See Note 11 for disclosures related to derivative financial instruments.

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

		Fair Value Measurements Using:		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap asset at April 2, 2011	$	$	$	$
Interest rate swap asset at January 1, 2011	$	$	$	$
Interest rate swap liability at April 2, 2011	$ 29,143	$	$ 29,143	$
Interest rate swap liability at January 1, 2011	$ 39,753	$	$ 39,753	$

Table of Contents

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

13. Comprehensive Income

Comprehensive income includes net income, the effects of foreign currency translation and changes in the fair value of derivative instruments. Comprehensive income is as follows:

	Three Months Ended	
	April 2, 2011	April 3, 2010
Net income	$ 73,177	$ 44,086
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of tax	1,116	1,689
Current period changes in fair value of derivatives, net of tax	6,486	(413)
Total other comprehensive income (loss)	7,602	1,276
Comprehensive income	80,779	45,362
Comprehensive loss attributable to the noncontrolling interest	(416)	(491)
Comprehensive income attributable to Weight Watchers International, Inc.	$ 80,363	$ 44,871

14. Segment Data

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

Table of Contents

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Information about the Company s reportable segments is as follows:

	Three Months Ended April 2, 2011			
	WWI	WW.com	Intercompany Eliminations	Consolidated
Revenues from external customers	$ 409,823	$ 93,609	$	$ 503,432
Intercompany revenue	8,674		(8,674)	
Total revenue	$ 418,497	$ 93,609	$ (8,674)	$ 503,432
Depreciation and amortization	$ 8,322	$ 408	$	$ 8,730
Operating income	$ 106,175	$ 29,556	$	$ 135,731
Interest expense				18,173
Other income, net				(470)
Provision for taxes				44,851
Net income				$ 73,177
Total assets	$ 1,098,188	$ 322,151	$ (294,307)	$ 1,126,032

	Three Months Ended April 3, 2010			
	WWI	WW.com	Intercompany Eliminations	Consolidated
Revenues from external customers	$ 332,105	$ 55,892	$	$ 387,997
Intercompany revenue	5,252		(5,252)	
Total revenue	$ 337,357	$ 55,892	$ (5,252)	$ 387,997
Depreciation and amortization	$ 7,771	$ 1,150	$	$ 8,921
Operating income	$ 77,227	$ 14,200	$	$ 91,427
Interest expense				18,705
Other expense, net				620
Provision for taxes				28,016

Net income				$ 44,086
Total assets	$ 1,187,236	$ 202,097	$ (296,369)	$ 1,092,964

15. Subsequent Event

On April 27, 2011, Weight Watchers Asia entered into a share purchase agreement with Danone Dairy Asia to acquire Danone Dairy Asia s 49% minority equity interest in the China Joint Venture. As a result of the acquisition, WWI now owns 100% of the China Joint Venture.

Table of Contents

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, this Quarterly Report on Form 10-Q includes forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including, in particular, the statements about our plans, strategies and prospects under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations. We have generally used the words may, will, could, expect, anticipate, believe, estimate, plan, intend and similar expressions in this Quarterly Report on Form 10-Q to identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. Actual results could differ materially from those projected in these forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions, including, among other things:

- competition from other weight management industry participants or the development of more effective or more favorably perceived weight management methods;
- our ability to continue to develop innovative new services and products and enhance our existing services and products, or the failure of our services and products to continue to appeal to the market;
- the effectiveness of our marketing and advertising programs;
- the impact on the Weight Watchers brand of actions taken by our franchisees and licensees;
- risks and uncertainties associated with our international operations, including economic, political and social risks and foreign currency risks;
- our ability to successfully make acquisitions or enter into joint ventures, including our ability to successfully integrate, operate or realize the projected benefits of such businesses;
- uncertainties related to a downturn in general economic conditions or consumer confidence;
- the seasonal nature of our business;
- the impact of events that discourage people from gathering with others;
- our ability to enforce our intellectual property rights both domestically and internationally, as well as the impact of our involvement in any claims related to intellectual property rights;
- uncertainties regarding the satisfactory operation of our information technology or systems;
- the impact of security breaches and privacy concerns;

- the impact of disputes with our franchise operators;
- the impact of existing and future laws and regulations;
- the impact of our debt service obligations and restrictive debt covenants;
- the possibility that the interests of our majority owner will conflict with other holders of our common stock; and
- other risks and uncertainties, including those detailed from time to time in our periodic reports filed with the Securities and Exchange Commission.

You should not put undue reliance on any forward-looking statements. You should understand that many important factors, including those discussed herein, could cause our results to differ materially from those expressed or suggested in any forward-looking statement. Except as required by law, we do not undertake any obligation to update or revise these forward-looking statements to reflect new information or events or circumstances that occur after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events or otherwise.

Table of Contents

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Weight Watchers International, Inc. is a Virginia corporation with its principal executive offices in New York, New York. In this Quarterly Report on Form 10-Q unless the context indicates otherwise: we, us, our and the Company refer to Weight Watchers International, Inc. and all of its businesses consolidated for purposes of its financial statements; Weight Watchers International and WWI refer to Weight Watchers International, Inc. and all of the Company s businesses other than WeightWatchers.com; WeightWatchers.com refers to WeightWatchers.com, Inc. and all of the Company s Internet-based businesses; NACO refers to our North American Company-owned meeting operations; and China Joint Venture refers to Weight Watchers Danone China Limited and all of its businesses.

Our fiscal year ends on the Saturday closest to December 31st and consists of either 52- or 53-week periods. In this Quarterly Report on Form 10-Q:

fiscal 2006 refers to our fiscal year ended December 30, 2006;

fiscal 2008 refers to our fiscal year ended January 3, 2009;

fiscal 2009 refers to our fiscal year ended January 2, 2010;

fiscal 2010 refers to our fiscal year ended January 1, 2011;

fiscal 2011 refers to our fiscal year ended December 31, 2011;

fiscal 2012 refers to our fiscal year ended December 29, 2012;

fiscal 2013 refers to our fiscal year ended December 28, 2013;

fiscal 2014 refers to our fiscal year ended January 3, 2015; and

fiscal 2015 refers to our fiscal year ended January 2, 2016.

The following terms used in this Quarterly Report on Form 10-Q are our trademarks: *Weight Watchers*®, ***PointsPlus***® and ***ProPoints***®.

You should read the following discussion in conjunction with our Annual Report on Form 10-K for fiscal 2010 that includes additional information about us, our results of operations, our financial position and our cash flows, and with our unaudited consolidated financial statements and related notes included in Item 1 of this Quarterly Report on Form 10-Q (collectively, the Consolidated Financial Statements).

USE OF CONSTANT CURRENCY

As exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of results on a constant currency basis in addition to reported results helps improve investors ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. We use results on a constant currency basis as one measure to evaluate our performance. In this Quarterly Report on Form 10-Q, we calculate constant currency by calculating current-year results using prior-year foreign currency exchange rates. We generally refer to such amounts calculated on a constant currency basis as excluding or adjusting for the impact of foreign currency. These results should be considered in addition to, not as a substitute for, results reported in accordance with accounting principles generally accepted in the United

States, or GAAP. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with GAAP.

CRITICAL ACCOUNTING POLICIES

For a discussion of the critical accounting policies affecting us, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies of our Annual Report on Form 10-K for fiscal 2010. Our critical accounting policies have not changed since the end of fiscal 2010.

Table of Contents

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED APRIL 2, 2011 COMPARED TO THE THREE MONTHS ENDED APRIL 3, 2010

Overview

Beginning in the second quarter of fiscal 2010, both volume and revenue performance have been on an upward trend versus prior year periods as a change in marketing strategy spurred an improvement in NACO meeting enrollments and robust growth in Weight Watchers Online sign-ups. The positive trend in NACO and WeightWatchers.com was further bolstered by their highly successful launches of a new program innovation in November 2010. The combination of these factors resulted in growth in our customer base in North America by the end of fiscal 2010 such that we entered fiscal 2011 with a much larger customer base than at the beginning of 2010. In addition, the successful fall 2010 new program launches in the United Kingdom and our other English-speaking markets provided favorable momentum into the first quarter of 2011 in those markets as well.

The table below sets forth selected financial information for the first quarter of fiscal 2011 from our consolidated statements of income for the three months ended April 2, 2011 versus selected financial information for the first quarter of fiscal 2010 from our consolidated statements of income for the three months ended April 3, 2010:

Summary of Selected Financial Data

	(In Millions, except per share amounts) For the Three Months Ended			
	April 2, 2011	**April 3, 2010**	**Increase/ (Decrease)**	**% Change**
Revenues, net	$ 503.4	$ 388.0	$ 115.4	29.8%
Cost of revenues	220.3	176.3	44.0	24.9%
Gross profit	283.1	211.7	71.4	33.8%
Gross Margin %	*56.2%*	*54.6%*		
Marketing expenses	95.7	74.5	21.2	28.5%
Selling, general & administrative expenses	51.7	45.8	5.9	13.0%
Operating income	135.7	91.4	44.3	48.5%
Operating Income Margin %	*27.0%*	*23.6%*		
Interest expense	18.2	18.7	(0.5)	(2.8%)
Other (income) expense, net	(0.5)	0.6	(1.1)	(175.8%)
Income before income taxes	118.0	72.1	45.9	63.7%
Provision for income taxes	44.9	28.0	16.8	60.1%
Net income	73.2	44.1	29.1	66.0%
Net loss attributable to the noncontrolling interest	0.4	0.5	(0.1)	(15.3%)
Net income attributable to the Company	$ 73.6	$ 44.6	$ 29.0	65.1%
Weighted average diluted shares outstanding	73.7	77.2	(3.5)	(4.6%)
Diluted EPS	$ 1.00	$ 0.58	$ 0.42	73.0%

Note: Totals may not sum due to rounding.

Net revenues were $503.4 million in the first quarter of fiscal 2011, an increase of $115.4 million, or 29.8%, over $388.0 million in the first quarter of fiscal 2010. Excluding the impact of foreign currency, which favorably increased our revenues for the first quarter of fiscal 2011 by $5.1 million, or 1.3%, revenues grew 28.4% versus the prior year period. The momentum of the new program launches in our

Table of Contents

English-speaking markets accelerated in the first quarter of fiscal 2011, supported by strong marketing and public relations, resulting in global paid weeks growth of 39.7% in the quarter versus the prior year period. Global attendance increased by 20.3% and end of period active Online subscribers grew by 86.6% in the first quarter of 2011 versus the first quarter of 2010. We benefited from comparing the first quarter of fiscal 2011 against a relatively weak first quarter of fiscal 2010. The first quarter of fiscal 2010 was impacted by ineffective marketing and poor weather conditions. While the English-speaking markets, which launched program innovations at the end of fiscal 2010, performed well in the first quarter of fiscal 2011, revenue and paid weeks performance was weak in our Continental European meetings business, which was cycling against its program innovation launched in late fiscal 2009.

Gross profit for the first quarter of fiscal 2011 of $283.1 million increased $71.4 million, or 33.8%, from $211.7 million in the first quarter of fiscal 2010. Our operating income for the first quarter of fiscal 2011 was $135.7 million, an increase of $44.3 million, or 48.5%, from $91.4 million in the first quarter of fiscal 2010. Our operating income margin expanded to 27.0% in the first quarter of fiscal 2011, an increase of 340 basis points versus 23.6% in the first quarter of fiscal 2010. Operating income margin growth was attributable to stronger gross margin, up 170 basis points in the quarter versus prior year to 56.2%, as well as reductions in both selling, general and administrative expenses and marketing expenses as a percentage of revenues.

The benefits derived from operating income growth resulted in net income in the first quarter of fiscal 2011 increasing by 65.1%, or $29.0 million, to $73.6 million as compared to $44.6 million in the first quarter of fiscal 2010. Earnings per fully diluted share in the first quarter of fiscal 2011 were $1.00, up from $0.58 in the first quarter of fiscal 2010.

Components of Revenue and Volumes

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

Global meeting fees for the first quarter of fiscal 2011 were $268.9 million, an increase of $50.7 million, or 23.2%, from $218.2 million in the prior year period. Excluding the impact of foreign currency, which favorably increased our global meeting fees by $2.8 million, or 1.3%, versus the prior year period, global meeting fees in the first quarter of fiscal 2011 increased by 21.9% versus the prior year period. The launches of a new program innovation in North America, the United Kingdom and our other English-speaking markets in late fiscal 2010, combined with strong marketing and public relations, were the key drivers of this growth, having produced strong enrollment trends leading into 2011 which accelerated further during the first quarter. The meeting paid weeks increase in these markets was somewhat tempered by performance weakness in Continental Europe. However, despite this, on a global basis, meeting paid weeks rose a strong 22.5% in the first quarter of fiscal 2011 to 27.8 million from 22.7 million in the prior year period. This global increase in meeting paid weeks was a significant improvement in trend compared to meeting paid weeks growth of 3.0% in the fourth quarter of fiscal 2010, 2.6% in the third quarter of fiscal 2010 and 0.8% in the second quarter of fiscal 2010 versus the comparable prior year periods.

Global attendance in our meetings business increased by 20.3% in the first quarter of fiscal 2011 to 17.6 million from 14.7 million in the first quarter of fiscal 2010. In addition to drawing new members into the meetings business, the introduction of the new program innovation in North America, the United Kingdom, and our other English-speaking markets increased meeting attendance by our existing members. This improvement in attendance was also due in part to the fact that the first quarter attendance performance in fiscal 2010 was negatively impacted by poor weather in many of our geographies.

In NACO, meeting fees for the first quarter of fiscal 2011 were $188.1 million, an increase of $45.7 million, or 32.1%, from $142.4 million for the first quarter of fiscal 2010. NACO meeting paid weeks improved by 32.6%, from 13.9 million in the first quarter of fiscal 2010 to 18.4 million in the first quarter of fiscal 2011, and attendance improved 33.1%, from 8.4 million in the first quarter of fiscal 2010 to 11.1

million in the first quarter of fiscal 2011. This growth reflected the combined effect of the highly successful new ***PointsPlus*** program, launched in late November 2010; a new marketing campaign strategy, which we launched beginning in the second quarter of 2010; and an increase in our At Work business. This new marketing campaign strategy featured Jennifer Hudson and testimonials from other successful Weight Watchers members and has helped raise the profile and attraction of our brand to both former members and new customers. The purchase by NACO meeting members of the Monthly Pass commitment plan, which provides members with access to meetings as well as to Internet tools, also increased in the first quarter of 2011 versus the first quarter of 2010, thereby driving higher revenue per member. Members who purchase Monthly Pass on average have a longer tenure and are thus more profitable to us than those who pay for attendance on a week-to-week basis. NACO revenue and volume growth in the first quarter 2011 versus the first quarter 2010 partially reflects weakness in performance in last year s first quarter which resulted from poor weather conditions and ineffective marketing.

Our international meeting fees in the first quarter of fiscal 2011 were $80.8 million, an increase of $5.0 million, or 6.6%, from $75.8 million in the prior year period. Meeting paid weeks increased by 6.7% in the international meetings business from 8.8 million in the first quarter of fiscal 2010 to 9.4 million in the first quarter of fiscal 2011. Attendance increased by 3.2% from 6.3 million in the first quarter of fiscal 2010 to 6.5 million in the first quarter of fiscal 2011. International meetings business performance differed across the geographies, as the United Kingdom benefited from the new ***ProPoints*** program, which launched late in 2010, while Continental Europe was cycling against a prior year program launch. Further, while the United Kingdom has had success with its new marketing approach, Continental Europe is still in the process of developing an effective marketing campaign to attract not only rejoining members but also new customers.

Meeting fees in the United Kingdom increased by 32.8% in the first quarter of fiscal 2011, or 28.6% on a constant currency basis, as compared to the prior year period, driven primarily by growth in volumes resulting from the launch of the new ***ProPoints*** program in the fourth quarter of 2010. Meeting paid weeks in the United Kingdom grew 21.9% in the first quarter of fiscal 2011 versus the prior year period. Attendance in this market was also strong, up 22.2% in first quarter 2011 as compared to the prior year period.

By contrast, entering fiscal 2011, Continental European performance was already on a downward trend. Growth from its new program innovation, which launched late in fiscal 2009 and was successful in bringing in rejoining members, was not sustained because of marketing ineffectiveness in capturing the attention of potential new members. As a result, attendance began a decline in the third quarter of fiscal 2010 compared to the prior year period and has continued. First quarter fiscal 2011 meeting fees in Continental Europe decreased by 14.9%, or 14.6% on a constant currency basis, versus the first quarter of fiscal 2010. Continental European meeting paid weeks declined by 13.1% and attendance declined by 19.6% in the first quarter 2011 as compared to the first quarter 2010. Promotional strategies in the first quarter of fiscal 2011 resulted in an increase in Monthly Pass penetration in some Continental European markets, which accounted for a smaller decline in meeting paid weeks versus attendance.

Global in-meeting product sales for the first quarter of fiscal 2011 were $101.0 million, an increase of $21.0 million, or 26.3%, from $80.0 million in the first quarter of fiscal 2010. On a per attendee basis, global in-meeting product sales increased 5.0% in the first quarter of fiscal 2011 versus the prior year period, or 4.1% on a constant currency basis. In-meeting product sales growth was driven primarily by our English-speaking markets where, as a result of the launch of the new program innovation, both new and existing members purchased starter kits and other enrollment products.

In NACO, in-meeting product sales of $58.6 million in the first quarter of fiscal 2011 increased by $18.5 million, or 46.2%, versus the prior year period on the strength of both higher attendance volumes and 9.8% growth in product sales per attendee versus the prior year period. International in-meeting product sales were $42.4 million in the first quarter of fiscal 2011, an increase of 6.4%, or 4.5% on a constant currency basis, versus the prior year period. In the United Kingdom, in-meeting product sales growth was driven by both higher attendance volumes and an increase in product sales per attendee of 11.3%, or 8.6% on a constant currency basis, in the first quarter of fiscal 2011 versus the prior year period. However, the increase in the international in-meeting product sales was negatively impacted by Continental Europe, where in-meeting product sales decline in the first quarter of 2011 versus the prior year period was driven by lower attendance volumes and a slight decline in product sales per attendee of 0.2% in the first quarter of fiscal 2011 versus the prior year period.

Internet revenues, which include subscription revenues from sales of Weight Watchers Online and Weight Watchers eTools as well as Internet advertising revenues, increased $36.7 million, or 66.4%, to $92.0 million for the first quarter of fiscal 2011 from $55.3 million for the first quarter of fiscal 2010. This increase was driven in part by the new program innovation launches in North America and other English-speaking markets at the end of fiscal 2010. In addition, the change in marketing strategy that took place in the second quarter of fiscal 2010 stimulated strong growth during that fiscal quarter which continued at an accelerating rate through the first quarter of fiscal 2011. We entered fiscal 2011 with an active Online subscriber base that was 38.2% higher than at the beginning of fiscal 2010. We ended the first quarter of 2011 with an 86.6% increase in end of period active Online subscribers versus the end of the first quarter of fiscal 2010 up from approximately 0.97 million to 1.81 million.

Other revenues, comprised primarily of licensing revenues, franchise royalties, revenues from the sale of products by mail and to our franchisees, and revenues from our publications, were $41.5 million for the first quarter of fiscal 2011, an increase of $7.0 million, or 20.2%, from $34.5 million for the first quarter of fiscal 2010. Excluding the impact of foreign currency, other revenues were 18.6% higher than the prior year period. Franchise commissions and sales of products to our franchisees grew on the strength of the impact of the new program in North America and accounted for $2.7 million of the increase in other revenues in the first quarter 2011 versus the prior year period. Our by mail product sales and revenues from our publications rose by 28.4%, or $3.5 million on a constant currency basis, over the prior year first quarter level, also driven by the new program innovations. Global licensing revenues in the first quarter of fiscal 2011 increased 3.6% versus the prior year period, with an increase in North America licensing revenues partially offset by a decline in international licensing revenues.

Components of Expenses and Margins

Cost of revenues in the first quarter of fiscal 2011 was $220.3 million, an increase of $44.0 million, or 24.9%, from $176.3 million in the prior year period. Cost of revenues grew at a slower pace than revenues on a consolidated company basis, resulting in gross margin growth from 54.6% in the first quarter of 2010 to 56.2% in the first quarter of 2011. This growth in gross margin was primarily driven by WeightWatchers.com. Robust revenue growth in WeightWatchers.com, such as we experienced in the first quarter of fiscal 2011, comes with minimal variable cost.

In contrast to WeightWatchers.com, growth in the cost of revenues in the meetings business approximated revenue growth because the first quarter of fiscal 2011 included certain significant one-time expenses related to ensuring a successful launch of the new program innovation in our English-speaking markets. Given that the new program is significantly different than the program it replaced, we had to provide the members and subscribers who were on the prior program, or who were familiar with our prior program in the case of returning members or subscribers, the necessary resources and support to understand the differences in the programs and how the differences would require changes in their day-to-day program experience. As a result and to ensure a smooth transition for members and subscribers, on a temporary basis, we increased staffing levels in our meeting rooms and call centers in the first quarter of fiscal 2011 to provide this greater degree of customer service. Additional expenses from the new program launch resulted from the need to distribute new program and related materials to existing members, rather than just to new members, because of the changeover to the new program. Further, our in-meeting product costs rose in the first quarter of fiscal 2011 at a higher rate than product sales in the first quarter as a result of discounting to encourage the purchase of enrollment-related products in the new innovation markets.

Gross profit for the first quarter of fiscal 2011 of $283.1 million increased $71.4 million, or 33.8%, from $211.7 million in the first quarter of fiscal 2010.

Table of Contents

Marketing expenses for the first quarter of fiscal 2011 were $95.7 million, an increase of $21.2 million, or 28.5%, versus the first quarter of fiscal 2010, or 27.7% on a constant currency basis. We increased marketing investment in support of our program innovations, which proved to be a successful strategy in driving recruitment of both new customers and rejoining members and subscribers. We increased our offline marketing expense by 20.8% versus the prior year period across all of our key markets, with particular focus on the English-speaking markets which launched program innovations. Our Internet marketing expense increased by 58.6% versus the prior year period, which yielded significant growth in sign-ups to our Online product, contributed to the growth in the meetings business, and generated higher exposure to the brand generally through the increased traffic to our WeightWatchers.com website. Despite the increased investment, our cost per customer acquisition declined 18.9% in the meetings business globally and 31.1% for WeightWatchers.com versus the prior year period. Marketing expenses as a percentage of revenues were 19.0% in the first quarter of fiscal 2011 as compared to 19.2% in the prior year period.

Selling, general and administrative expenses were $51.7 million for the first quarter of fiscal 2011 versus $45.8 million for the first quarter of fiscal 2010, an increase of $5.9 million, or 13.0%. On a constant currency basis, first quarter of fiscal 2011 selling, general and administrative expenses increased by 11.5% versus the first quarter of fiscal 2010. The increase was driven primarily by higher consulting fees associated with business development, higher technology-related expenses, including for the development of mobile applications, and higher salary expenses associated with business performance and growth, including higher bonus expense. These increases were partially offset by lower legal fees and lower bad debt expense in the quarter. Selling, general and administrative expenses as a percentage of revenues for the first quarter of fiscal 2011 declined to 10.3% from 11.8% for the first quarter of fiscal 2010.

Interest expense was $18.2 million for the first quarter of fiscal 2011, a decrease of $0.5 million, or 2.8%, from $18.7 million in the first quarter of fiscal 2010, primarily as a result of lower average debt outstanding. Our average debt outstanding was $1,329.3 million in the first quarter of fiscal 2011 as compared to $1,441.0 million in the first quarter of fiscal 2010. While the average notional value of our interest rate swaps decreased from the prior year period and thus drove interest rates down, this favorable impact was offset by increases in our credit spreads resulting from the debt extension we undertook in the second quarter of fiscal 2010, and by the associated higher amortization of transaction fees. The average credit spread on our debt increased from 1.17% in the first quarter of fiscal 2010 to 1.83% in the first quarter of fiscal 2011. Our effective interest rate in the first quarter of fiscal 2011 increased by 8 basis points to 5.03% from 4.95% in the first quarter of fiscal 2010.

We reported other income of $0.5 million in the first quarter of fiscal 2011 as compared to $0.6 million of other expense in the first quarter of fiscal 2010, primarily reflecting the impact of foreign currency on intercompany transactions.

Our effective tax rate was 38.0% for the first quarter of fiscal 2011 as compared to 38.9% for the first quarter of fiscal 2010. The first quarter of fiscal 2011 benefited from the reversal of certain tax reserves due to the expiration of the applicable statute of limitations.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Cash and cash equivalents were $77.2 million in the first quarter of fiscal 2011, an increase of $36.7 million from the end of fiscal 2010. Cash flows provided by operating activities for first quarter of fiscal 2011 were $184.1 million, an increase of $119.8 million over the $64.3 million generated in the first quarter of fiscal 2010. The increase of $119.8 million in cash flows from operating activities is comprised primarily of three components: a $29.0 million increase in net income in the first quarter of fiscal 2011, a $30.4 million payment made in the first quarter of fiscal 2010 which reduced the UK value added tax accrual in connection with our previously disclosed adverse UK tax ruling covering prior periods and $29.3 million of higher deferred income

Table of Contents

in the first quarter of fiscal 2011 resulting from significant increases in Online subscribers and Monthly Pass members.

The $184.1 million of cash flows provided by operating activities for the first quarter of fiscal 2011 exceeded the period s $73.6 million in net income attributable to the Company by $110.5 million. The excess of cash flows provided by operating activities over net income arose primarily from changes in our working capital, as described below (see Balance Sheet Working Capital), and as a result of differences between book and cash taxes.

Net cash used for investing and financing activities combined totaled $149.1 million in the first quarter of fiscal 2011. Net cash used for investing activities of $6.4 million in the first quarter of fiscal 2011 consisted primarily of capital expenditures. Net cash used for financing activities totaled $142.7 million in the period and consisted primarily of long-term debt payments of $114.1 million, stock repurchases of $34.9 million and dividend payments of $13.0 million. These uses were slightly offset by $18.1 million of proceeds from stock options exercised in the quarter.

For the first quarter of fiscal 2010, cash and cash equivalents were $51.7 million, an increase of $5.6 million from the end of fiscal 2009. Cash flows provided by operating activities were $64.3 million, exceeding the period s $44.6 million net income by $19.7 million. Cash flows provided by operating activities included a cash payment of $29.1 million for prior period charges associated with our previously disclosed adverse UK tax ruling. Excluding this one-time payment, cash flows provided by operating activities would have been $93.4 million in the first quarter of fiscal 2010. The excess of cash flows provided by operating activities over net income arose partially from changes in our working capital, as described below (see Balance Sheet Working Capital). The excess of cash flows provided by operating activities over net income was also a result of differences between book and cash taxes. Net cash used for investing and financing activities combined totaled $56.2 million. Net cash used for investing activities of $3.9 million consisted primarily of capital spending. Net cash used for financing activities totaled $52.3 million and consisted of dividend payments of $13.5 million and long-term debt payments of $38.8 million.

Balance Sheet Working Capital

Comparing our balance sheet at April 2, 2011 with our balance sheet at January 1, 2011, our cash balance increased by $36.7 million. Our working capital deficit at April 2, 2011 was $345.4 million, including $77.2 million of cash and cash equivalents and $149.0 million of current portion of long-term debt. This compared to a working capital deficit of $348.7 million at January 1, 2011, which included $40.5 million of cash and cash equivalents and $197.5 million of current portion of long-term debt. Excluding the changes in cash and cash equivalents and current portion of long-term debt from both periods, the working capital deficit at April 2, 2011 was $273.6 million as compared to $191.7 million at January 1, 2011, an increase of $81.9 million.

The majority of this $81.9 million increase in adjusted working capital (which excludes from working capital the changes in cash and cash equivalents and in the current portion of long term debt) was attributable to growth in the business, including $44.6 million from an increase in deferred revenue as we have grown our Online and Monthly Pass subscriber bases, and $19.8 million from higher payables and accruals related to salary due to a combination of timing of payments and business performance and related to higher advertising in WeightWatchers.com. The balance of $17.5 million of this increase primarily resulted from a shift in the timing of tax payments to the second quarter of 2011.

Long-Term Debt

Our credit facilities consist of a term loan facility and a revolving credit facility, or collectively, the WWI Credit Facility. The term loan facility consists of two tranche A loans, or Term A Loan and Additional Term A Loan, a tranche B loan, or Term B Loan, a tranche C loan, or Term C Loan, and a tranche D loan, or Term D Loan, in an aggregate original principal amount of $1,550.0 million. The revolving credit facility, or the Revolver, consists of two tranches, or Revolver I and Revolver II, of up to $500.0 million in the aggregate. At April 2, 2011, we had $1,250.9 million outstanding under the WWI Credit Facility. In addition, at April 2, 2011, there was $383.0 million available under the Revolver.

Table of Contents

At April 2, 2011, and January 1, 2011, our debt consisted entirely of variable-rate instruments. Interest rate swaps are entered into to hedge a portion of the cash flow exposure associated with our variable-rate borrowings. The average interest rate on our debt, exclusive of the impact of swaps, was approximately 2.2% per annum at April 2, 2011 and January 1, 2011.

The following schedule sets forth our long-term debt obligations (and interest rates, exclusive of the impact of swaps) at April 2, 2011:

Long-Term Debt

At April 2, 2011

(Balances in millions)

	Balance	Alternative Base Rate or LIBOR	Applicable Margin	Interest Rate
Revolver I due 2011	$ 38.8	0.25%	1.00%	1.25%
Revolver II due 2014	77.2	0.25%	2.50%	2.75%
Term A Loan due 2011	29.1	0.31%	1.00%	1.31%
Additional Term A Loan due 2013	188.9	0.31%	1.00%	1.31%
Term B Loan due 2014	239.4	0.31%	1.50%	1.81%
Term C Loan due 2015	437.4	0.31%	2.25%	2.56%
Term D Loan due 2016	240.1	0.31%	2.25%	2.56%
Total Debt	1,250.9			
Less Current Portion	148.9			
Total Long-Term Debt	$ 1,102.0			

The WWI Credit Facility provides that term loans and the Revolver bear interest, at our option, at LIBOR plus an applicable margin per annum or the alternative base rate (as defined in the WWI Credit Facility agreement) plus an applicable margin per annum. At April 2, 2011, the Term A Loan, Additional Term A Loan and Revolver I bore interest at a rate equal to LIBOR plus 1.00% per annum; the Term B Loan bore interest at a rate equal to LIBOR plus 1.50% per annum; the Term C Loan and Term D Loan bore interest at a rate equal to LIBOR plus 2.25% per annum; and the Revolver II bore interest at a rate equal to LIBOR plus 2.50% per annum. In addition to paying interest on outstanding principal under the WWI Credit Facility, at April 2, 2011, we were required to pay a commitment fee to the lenders under the Revolver I and Revolver II with respect to the unused commitments at a rate equal to 0.20% per annum and 0.50% per annum, respectively.

The WWI Credit Facility contains customary covenants including covenants that, in certain circumstances, restrict our ability to incur additional indebtedness, pay dividends on and redeem capital stock, make other payments, including investments, sell our assets and enter into consolidations, mergers and transfers of all or substantially all of our assets. The WWI Credit Facility also requires us to maintain specified financial ratios and satisfy certain financial condition tests. At April 2, 2011, we were in compliance with all of the required financial ratios and also met all of the financial condition tests and expect to continue to do so for the foreseeable future. The WWI Credit Facility contains customary events of default. Upon the occurrence of an event of default under the WWI Credit Facility, the lenders thereunder may cease making loans and declare amounts outstanding to be immediately due and payable. The WWI Credit Facility is guaranteed by certain of our existing and future subsidiaries. Substantially all of our assets collateralize the WWI Credit Facility.

We previously amended the WWI Credit Facility on June 26, 2009 to allow us to make loan modification offers to all lenders of any tranche of term loans or revolving loans to extend the maturity date of such loans and/or reduce or eliminate the scheduled amortization. Any such loan modifications would be effective only with respect to such tranche of term loans or revolving loans and only with respect to those lenders that accept our offer. Loan modification offers may be accompanied by increased pricing and/or fees payable to accepting lenders. This amendment also provides for up to an additional

23

$200.0 million of incremental term loan financing through the creation of a new tranche of term loans, provided that the aggregate principal amount of such new term loans cannot exceed the amount then outstanding under our existing revolving credit facility. In addition, the proceeds from such new tranche of term loans must be used solely to repay certain outstanding revolving loans and permanently reduce the commitments of certain revolving lenders.

On April 8, 2010, we amended the WWI Credit Facility pursuant to a loan modification offer to all lenders of all tranches of term loans and revolving loans to, among other things, extend the maturity date of such loans. In connection with this amendment, certain lenders converted a total of $454.5 million of their outstanding term loans under the Term A Loan ($151.8 million) and Additional Term A Loan ($302.7 million) into term loans under the new Term C Loan due 2015 (or 2013, upon the occurrence of certain events described in the WWI Credit Facility agreement), and a total of $241.9 million of their outstanding term loans under the Term B Loan into term loans under the new Term D Loan due 2016. In addition, certain lenders converted a total of $332.6 million of their outstanding Revolver I commitments into commitments under the new Revolver II which terminates in 2014 (or 2013, upon the occurrence of certain events described in the WWI Credit Facility agreement), including a proportionate amount of their outstanding Revolver I loans into Revolver II loans. Following these conversions of a total of $1,029.0 million of loans and commitments, at April 8, 2010, we had the same amount of debt outstanding under the WWI Credit Facility and amount of availability under the Revolver as we had immediately prior to such conversions. In connection, with this loan modification offer, we incurred fees of approximately $11.5 million during the second quarter of fiscal 2010.

The following schedule sets forth our year-by-year debt obligations at April 2, 2011:

Total Debt Obligation

(Including Current Portion)

At April 2, 2011

(in millions)

Remainder of fiscal 2011	$ 121.9
Fiscal 2012	124.9
Fiscal 2013	86.0
Fiscal 2014	334.8
Fiscal 2015	354.6
Thereafter	228.7
Total	$ 1,250.9

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

Dividends

We have issued a quarterly cash dividend of $0.175 per share of our common stock every quarter beginning with the first quarter of fiscal 2006. Prior to these dividends, we had not declared or paid any cash dividends on our common stock since our acquisition by Artal Luxembourg, S.A. in 1999.

Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors, after taking into account our financial results, capital requirements and other factors it may deem relevant. Our Board of Directors may decide at any time to increase or decrease the amount of dividends or discontinue the payment of dividends based on these factors. The WWI Credit Facility also contains restrictions on our ability to pay dividends on our common stock.

Table of Contents

The WWI Credit Facility provides that we are permitted to pay dividends and extraordinary dividends so long as we are not in default under the WWI Credit Facility agreement. However, payment of extraordinary dividends shall not exceed $150.0 million in any fiscal year if net debt to EBITDA (as defined in the WWI Credit Facility agreement) is greater than 3.75:1 and an investment grade rating date (as defined in the WWI Credit Facility agreement) has not occurred. We do not expect this restriction to impair our ability to pay dividends, but it could do so.

Stock Transactions

On October 9, 2003, we, at the direction of our Board of Directors, authorized and announced a program to repurchase up to $250.0 million of our outstanding common stock. On each of June 13, 2005, May 25, 2006 and October 21, 2010, we, at the direction of our Board of Directors, authorized and announced adding $250.0 million to this program. The repurchase program allows for shares to be purchased from time to time in the open market or through privately negotiated transactions. No shares will be purchased from Artal Holdings Sp. z o.o. and its parents and subsidiaries under the program. The repurchase program currently has no expiration date. During the three months ended April 2, 2011, the Company purchased 0.8 million shares of its common stock in the open market under the program for a total cost of $31.6 million. During the three months ended April 3, 2010, the Company did not purchase any shares of its common stock.

OFF-BALANCE SHEET TRANSACTIONS

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

SUBSEQUENT EVENT

On April 27, 2011, Weight Watchers Asia Holdings Ltd., a direct, wholly-owned subsidiary of the Company, entered into a share purchase agreement with Danone Dairy Asia to acquire Danone Dairy Asia s 49% minority equity interest in the China Joint Venture. As a result of the acquisition, WWI now owns 100% of the China Joint Venture.

SEASONALITY

Our business is seasonal, with revenues generally decreasing at year end and during the summer months. Our advertising schedule supports the three key enrollment-generating seasons of the year: winter, spring and fall, with winter having the highest concentration of advertising spending. The timing of certain holidays, particularly Easter, which precedes the spring marketing campaign and occurs between March 22 and April 25, may affect our results of operations and the year-to-year comparability of our results. For example, in fiscal 2009, Easter fell on April 12, which means that our spring marketing campaign began in the second quarter of fiscal 2009 as opposed to the first quarter of fiscal 2008. The introduction of Monthly Pass in the meetings business has resulted in less seasonality with regards to our meeting fee revenues because its revenues are amortized over the related subscription period. Our operating income for the first half of the year is generally the strongest. While WeightWatchers.com experiences similar seasonality in terms of new subscriber sign-ups, its revenue tends to be less seasonal because it amortizes subscription revenue over the related subscription period.

AVAILABLE INFORMATION

Corporate information and our press releases, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments thereto, are available free of charge on our website at www.weightwatchersinternational.com as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (i.e., generally the same day as the filing). Moreover, we also make available at that site the Section 16 reports filed electronically by our officers, directors and 10 percent shareholders. Usually these are publicly

Table of Contents

accessible no later than the business day following the filing. We use our website at www.weightwatchersinternational.com as a channel of distribution of material Company information. Financial and other material information regarding the Company is routinely posted on and accessible at our website. Our website and the information posted on it or connected to it shall not be deemed to be incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk disclosures appearing in Item 7A. Quantitative and Qualitative Disclosures about Market Risk of our Annual Report on Form 10-K for fiscal 2010 have not materially changed from January 1, 2011.

Based on the amount of our variable rate debt and interest swap agreements as of April 2, 2011, a hypothetical 50 basis point increase or decrease in interest rates on our variable rate debt would increase or decrease our annual interest expense by approximately $1.4 million.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

UK Self-Employment Matter

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

In September 2007, we appealed HMRC s notices as to these classifications and against any amount of PAYE and NIC liability claimed to be owed by us and our appeal was heard by the UK First Tier Tribunal (Tax Chamber) (formerly known as the UK VAT and Duties Tribunal), or the First Tier Tribunal, in June 2009 and October 2009. In February 2010, the First Tier Tribunal issued a ruling that our UK leaders should have been classified as employees for UK tax purposes and, as such, we should have withheld tax from our leaders pursuant to the PAYE and NIC collection rules for the period from

Table of Contents

April 2001 to April 2007 with respect to services performed by the leaders for us. We are appealing this adverse ruling and a hearing before the UK Upper Tribunal (Tax and Chancery Chamber) is scheduled for fall 2011.

In light of this adverse ruling and in accordance with accounting guidance for contingencies, we recorded in the fourth quarter of fiscal 2009 a reserve for the period from April 2001 through the end of fiscal 2009, inclusive of estimated accrued interest. As we did beginning in the first quarter of fiscal 2010, we have recorded, and also intend to continue to record, a reserve for UK withholding taxes with respect to our UK leaders consistent with this ruling on a quarterly basis. Accordingly, the aggregate reserve for the period from April 2001 through the end of the first quarter of fiscal 2011 is approximately $43.2 million.

Sabatino v. Weight Watchers North America, Inc.

In September 2009, a lawsuit was filed in the Superior Court of California by one of our former leaders alleging violations of certain California wage and hour laws on behalf of herself, and, if approved by the court, other leaders and those employees who have performed the location coordinator function in California since September 17, 2005. In this matter, the plaintiff is seeking unpaid wages and certain other damages. In October 2009, we answered the complaint and removed the case to the U.S. District Court for the Northern District of California, or the Federal Court. In July 2010, the plaintiff filed an amended complaint adding two additional named plaintiffs for this matter. In October 2010, the parties engaged in mediation and reached an agreement in principle to settle this matter in its entirety and, accordingly, we have recorded a reserve with respect to this matter of $6.5 million. The settlement is dependent upon final approval of the Federal Court. The parties submitted the proposed settlement to the Federal Court in December 2010. In January 2011, the parties received the Federal Court s preliminary approval of the settlement. A hearing seeking final approval of the settlement by the Federal Court is scheduled for spring 2011.

Hanson-Kelly & Jackson v. Weight Watchers North America, Inc. and Weight Watchers International, Inc.

In January 2010, a lawsuit was filed in the U.S. District Court for the Middle District of North Carolina by two leaders alleging violations of certain federal and North Carolina wage and hour laws on behalf of themselves, and, if approved by the court, other leaders and receptionists in North Carolina since January 25, 2007. In this matter, the plaintiffs are seeking unpaid wages and certain other damages. In April 2010, we filed a Motion to Dismiss the claim for unpaid wages under the North Carolina wage and hour laws. The court has not ruled yet on this Motion. Although we disagree with the allegations that we have violated federal and North Carolina wage and hour laws and we believe we have valid defenses with respect to this matter, litigation is inherently unpredictable. At this time, it is not possible to determine the outcome of, or estimate the liability related to, this action and we have not made any provision for losses in connection with it.

Other Litigation Matters

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

ITEM 1A. RISK FACTORS

There have been no material changes in the risk factors from those detailed in our Annual Report on Form 10-K for fiscal 2010.

Table of Contents

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

This table provides certain information with respect to our purchases of shares of Weight Watchers International, Inc. s common stock during the first quarter of fiscal 2011:

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
January 2 - February 5	693,500	$ 38.05	693,500	$ 214,098,832
February 6 - March 5	120,000	$ 43.04	120,000	$ 208,933,489
March 6 - April 2				$ 208,933,489
Total	813,500	$ 38.78	813,500	

(1) All shares were purchased under our repurchase program.

(2) For a discussion of our repurchase program, see Note 6 to the Unaudited Consolidated Financial Statements.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Nothing to report under this item.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

Nothing to report under this item.

Table of Contents

ITEM 6. EXHIBITS

Exhibit Number	Description
Exhibit 31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification pursuant to 18 U.S.C. Section 1350.
Exhibit 32.2	Certification pursuant to 18 U.S.C. Section 1350.
Exhibit 101	
EX-101.INS	XBRL Instance Document
EX-101.SCH	XBRL Taxonomy Extension Schema
EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase
EX-101.DEF	XBRL Taxonomy Extension Definition Document
EX-101.LAB	XBRL Taxonomy Extension Label Linkbase
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	WEIGHT WATCHERS INTERNATIONAL, INC.
Date: May 12, 2011	By: /s/ David P. Kirchhoff David P. Kirchhoff President, Chief Executive Officer and Director (Principal Executive Officer)
Date: May 12, 2011	By: /s/ Ann M. Sardini Ann M. Sardini Chief Financial Officer (Principal Financial and Accounting Officer)

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
Exhibit 31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification pursuant to 18 U.S.C. Section 1350.
Exhibit 32.2	Certification pursuant to 18 U.S.C. Section 1350.
Exhibit 101	
EX-101.INS	XBRL Instance Document
EX-101.SCH	XBRL Taxonomy Extension Schema
EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase
EX-101.DEF	XBRL Taxonomy Extension Definition Document
EX-101.LAB	XBRL Taxonomy Extension Label Linkbase
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase