WEIGHT WATCHERS INTERNATIONAL INC

FORM 10KT405
(Annual Transition Report)

Filed 3/30/2001 For Period Ending 12/30/2000

Address	175 CROSSWAYS PARK WEST
	WOODBURY, New York 11797
Telephone	516-390-1400
CIK	0000105319
Fiscal Year	12/30

Generated by EDGAR Online Pro
http://pro.edgar-online.com

EDGAR Online

Contact EDGAR Online
Customer Service: 203-852-5666
Corporate Sales: 212-457-8200

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

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

For the transition period from April 30, 2000 to December 30, 2000.

Commission File no 000-03389 **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.)

175 Crossways Park West, Woodbury, New York 11797-2055

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (516) 390-1400

Securities registered pursuant to Section 12 (b) of the Act: None

Name of each exchange
Title of each class None on which registered None

Securities registered pursuant to Section 12 (g) of the Act:

None

(Title of class)

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 if disclosure of delinquent filers pursuant to item 405 of Regulation S-K 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. [X]

The aggregate market value, as determined by the date of the sale, of the voting stock held by non-affiliates (shareholders holding less than 5% of the outstanding common stock, excluding directors and officers), as of March 30, 2001 was $1,235,000.

The number of common shares outstanding as of March 30, 2001 was 23,800,000.

Documents incorporated by reference: None

PART I

ITEM 1. BUSINESS

Weight Watchers International, Inc. (herein, together with its subsidiaries unless the context otherwise requires, generally referred to as the "Company" or "Registrant") was incorporated in Virginia in 1974, as a successor to a business founded in 1963.

The Company is the largest provider of weight control programs in the world and operates in 30 countries through a network of Company-owned and franchise operations. At the core of the business are weekly meetings, in which is presented a scientifically designed program, incorporating group support and education about healthy eating patterns, behavior modification and physical activity. The Company has developed the Weight Watchers program through continuous improvement over its 37-year history and the brand name is recognized globally today as the standard for healthy, safe and drug free weight control. Careful management of the brand identity and reputation is a fundamental element of the Company's long-term success. The Company believes that the combination of its brand recognition, extensive global network and 8,600 classroom leaders in Company-owned operations provide a significant competitive advantage.

Throughout its history, the Company has based its program on four core elements: group support, behavior modification, diet and exercise. The group support system remains the cornerstone method of presenting the program. Group support assists members in dealing with issues such as depression-eating and habitual eating behaviors. This support is offered through meetings that are interactive and encourage learning through group activities and discussions. Members learn strategies from leaders who have learned how to lose weight and maintain their weight loss on the program. These leaders are trained to respond to member needs by using internally developed techniques and actively modeling the Company's principles. The group support system continues throughout the maintenance period of the program when members learn how to stay within their appropriate weight range.

Behavior modification and education on eating habits have also always been key elements of the program. Motivation, education and support are used to help members manage their weight and to change their habits. Members are taught how to meet and overcome these challenges. Discussions on topics such as staying motivated, overeating and managing stress offer valuable insight and provide the reassurance that no one must diet alone.

Exercise is an important component of weight management and the Company's overall program to lose weight. U.S. members currently receive The Weight Watchers Activity Guide which is designed to promote exercise and activity outside of the classroom. It is consistent with the recommendations for physical activity outlined by both the Center for Disease Control and Prevention and the American College of Sports Medicine. International members receive similar publications.

The final key element of the program is diet which is described in detail below. The diets are based on healthy food selection rather than prepackaged meals. This allows members to tailor

and modify their diet to their personal tastes. In order to keep the diets at the forefront of weight loss science, each diet is designed in consultation with doctors and other scientific advisors. The Company continually strives to improve its diets by periodically testing, then introducing new features.

In 1996, the United Kingdom subsidiary developed and introduced 1-2-3 Success, a state-of-the-art diet management system that helps participants manage their calorie intake through a simple and flexible POINTS system. Unlike some competing diets, 1-2-3 Success allows participants to eat regular meals instead of prepackaged servings, allowing members freedom to choose what they eat. In 1997, the 1-2-3 Success diet was successfully rolled out to select international operations, North American franchises and North American Company-Owned ("NACO") operations. 1-2-3 Success features the POINTS food system, which is based on a formula involving calories, fat and fiber. The formula for POINTS differs from country to country in order to suit local tastes, as well as package labeling differences between countries. Today, 1-2-3 Success remains the cornerstone of the Company's diet program.

In 1996, local management in Europe successfully developed a diet called Success Signals based on a green-yellow-red food selection system. Success Signals helps guide dieters to low fat foods (green) instead of high fat foods (red). This system is similar to 1-2-3 Success in that it does not require weighing of portions. In the fall of 2000, the Company introduced POINTS into eleven Continental European countries as a program innovation.

The Company works closely with doctors, scientists and nutritionists to ground the program in scientific and medically sound principles of weight control. As part of the program, the Company is sponsoring a two-year scientific study to quantify the health benefits of its program as compared to self-help dieting. The Company believes that the publication of this study will serve to encourage a greater number of employers and health insurance companies to partner with them to cover or reimburse the cost of joining the Weight Watchers program.

The Company uses several delivery methods as a means to provide services to its customers. At the core of the business is the classroom meeting, which members attend to learn the key weight loss techniques, to celebrate their success with other dieters, and to receive motivation and group support. An estimated 8,600 classroom leaders run the meetings and educate members on the process of successful and sustained weight loss. Field management and current leaders constantly identify new leaders among members with strong interpersonal skills, personality and communication skills. Leaders are part-time employees and earn an hourly wage and commissions based on sales. The program is presented in a series of weekly classes which average one hour in duration. Classes are conveniently scheduled throughout the day. Classes are held in either leased locations, such as space at shopping malls, or in meeting rooms typically rented from civic or religious organizations.

Typically, classes begin with registration and a weigh-in where the weight change of attendees since their last session is noted in their attendance book which serves as a permanent record of the participants' progress. Leaders are trained to engage the members at the weigh-in to talk about their weight control efforts during the previous week and provide encouragement and advice, making them feel at ease. After the weigh-in, the leader introduces the class. Part of the class is educational, where the leader uses personal anecdotes, games or open questions to

demonstrate some of the core aspects of weight loss, such as self-belief and discipline. During another part of the class, the leader focuses on a variety of topics, such as achievements people have made in the prior week and celebrating and applauding successes. Participants who have reached their weight goal are singled out for their accomplishment. Discussions can range from dealing with a holiday office party to making time to exercise. The leader encourages substantial class participation and promotes supporting products and materials as appropriate. At the end of the class, new members are given special tutoring in the current diet plan.

Generally, group leaders help set a member's weight goal within a healthy range by using a body mass index. When members reach their weight goal and maintain it for six weeks, they achieve lifetime member status. This gives them the privilege to attend the Company's meetings free of charge as long as they maintain their weight within a certain range. Successful members also become eligible to apply for class leader positions.

The At Work program was designed to address the weight loss needs of people in the workforce by operating on-site in their place of employment. This program represents a significant amount of total revenue for NACO operations and is expanding in other countries. Employees can attend the At Work program meetings that are held either before work, during lunch hours, or after work. At Work is particularly popular in the United States as employees, and increasingly employers, are receptive to the Weight Watchers classes in the work place. In many cases, employers subsidize employee participation and typically provide meeting space without charge. The Community Meetings program was designed to meet the needs of people in rural areas that would otherwise be unable to support traditional meetings. Members in Community Meetings prepay for a series of meetings to ensure adequate enrollment.

The Company provides additional programs designed for people who, either through circumstance or personal preference, do not wish to attend the traditional classes. The At Home self-help program was developed to provide guidance and support needed to lose weight without having to attend classes.

In Australia, the Company is marketing the Gutbuster mail-order program which has been scientifically designed for male weight control. Customers who order this program receive audiocassettes and literature. In France, the Company also has a One-On-One program which offers members supplemental private tutoring.

In addition to meetings, the Company generates additional revenues through product sales. In the classroom operations, the Company sells books, CD-Rom's, 1-2-3 Success POINTS calculators, healthy snack bars and other items.

GENERAL

Members have demonstrated strong loyalty towards the Weight Watchers program, which is characterized by a highly predictable pattern of repeat consumer behavior. The Company believes the quality and flexibility of its program helps attract and retain new members and contributes to significant repeat enrollments. Given the Company's 37-year operating history, the Company has created a powerful referral network. An important source of new members is through referrals from existing or prior members. There are incentive programs for member referrals, such as the bring a friend promotion. In the eight month period ended December 30, 2000, approximately 3.2 million people enrolled in classes worldwide.

The Company's business is heavily reliant on marketing and promotion. Advertising supports the three key enrollment-generating seasons during the year: winter, spring and fall. In addition to enhancing brand image and awareness, advertising is designed to motivate both former members and its potential members to take immediate action and join the program. Media investments are allocated on a market-by-market basis, as well as by media vehicle (television, radio, magazines and newspaper), taking into account such characteristics as penetration, market vitality, media efficiencies and effectiveness. Direct mail is a critical element of the Company's marketing mix because it targets former members who account for the majority of the Company's attendance.

The focus of the Company's public relations efforts is at the grass roots level. Leaders and successful members engage in local promotions, information presentations and charity events to promote Weight Watchers and demonstrate the program's efficacy. Public relations programs are specifically designed to facilitate this type of promotion. For many years, the Company has used celebrities to promote and endorse the program. Since 1997, the Company has retained Sarah Ferguson, the Duchess of York, to promote and endorse the program in North America. Her contract, recently renewed for two years, requires her to devote approximately 25 days per year on activities such as appearances at major events and filming television advertisements.

The most popular payment structure is a "pay-as-you-go" arrangement without contracts, although the Company also offers discounted pre-pay options. A new member pays an initial registration fee and then a weekly fee for each class attended, although free registration is often offered as a promotion.

In 1996, a new pricing structure, called Liberty/Loyalty, was developed in France. Liberty/Loyalty provides members the option of committing to consecutive weekly attendance and paying a lower weekly fee with penalties for missed classes, or paying a higher weekly fee without the missed meeting penalties. Following the successful introduction in France, the Liberty/Loyalty pricing plan was rolled out to most of the rest of Europe and, following a successful test marketing, it was rolled out to the Company's NACO operations in April/May 1999.

COMPANY OWNED OPERATIONS

The Company's NACO operations consist of approximately 1,300 meeting locations, that generated $117.0 million in revenue, including product sales, for the eight month period ended December 30, 2000. In 1997, NACO operations were restructured by eliminating the prepackaged meals program, improving customer service, restoring employee morale and introducing 1-2-3 Success and Liberty/Loyalty programs. In connection with the elimination of the prepackaged meals programs, the Company eliminated over $18.0 million in costs. NACO attendance has increased in the last several years. NACO attendance was 8.9 million in the eight month period ended December 30, 2000.

International Company-owned operations consist of approximately 7,600 meeting locations in 15 countries outside of the United States. In the eight month period ended December 30, 2000, these operations attracted 13.5 million attendees and generated meeting fee revenue of $122.9 million.

In the eight month period ended December 30, 2000, in the United Kingdom, there were on average 5,600 weekly meetings in 4,200 different locations, with approximately 97% in third-party locations, such as meeting rooms rented from civil organizations and church halls. In the rest of Europe, there were on average 3,900 weekly meetings in 2,630 different locations, with approximately 96% in third-party locations. In Australia/New Zealand, there were on average 1,880 weekly meetings in 794 different locations, with approximately 97% in third-party locations.

INTERNATIONAL OPERATIONS

The Company's international operations are subject to certain customary risks inherent in carrying on business abroad, including the risk of adverse currency fluctuations.

FRANCHISE OPERATIONS

The Company operates its domestic and international businesses through a combination of Company-owned and franchise operations. Over the last 37 years, the Company has developed a strong group of franchisees throughout the world. There are franchise operations in 15 countries, including the United States. The Company estimates that in the eight month period ended December 30, 2000, these franchised operations attracted attendance of 16.7 million.

Franchisees are responsible for running classroom operations in their territory using the Company developed program. Franchisees are obliged to adhere strictly to the program content guidelines, with the freedom to control pricing, locations, operational structure and local promotions. Franchisees have the option to buy approved merchandise from the Company or from other vendors to sell to members. Franchisees are required to keep accurate attendance records that are audited on a periodic basis. Most franchise agreements are in perpetuity and can only be terminated upon a material breach or bankruptcy of the franchisee.

The Company provides a central support system for the program and the brand. It also produces and sells program and marketing material to the franchisees. Franchisees provide local

operational expertise, advertising and public relations. The franchise owners are close to the business and generally participate actively in all aspects of the business. Franchisees typically pay a fee equal to 10% of their meeting fee revenues.

LICENSING

Another source of revenue for the Company is generated through the licensing arrangements with third parties. Under an agreement between the Company and a third-party publisher, the Company granted the publisher the exclusive right to use its trademarks in developing, publishing, licensing, selling and distributing books, audio products, video products, calendars, recipe cards and other products for sale at meetings, book clubs and retail stores. The publisher holds this exclusive license through October 2001. In return for this license, the publisher agreed to pay a non-returnable fee and certain ongoing royalties.

Weight Watchers Magazine was published in North America and the United Kingdom by Southern Progress and by the Company in Australia. The Company reacquired all rights to publish the Magazine, including in North America and the United Kingdom, by an agreement dated February 18, 2000 and it has introduced a new magazine in May 2000. Southern Progress still has the exclusive right to publish Weight Watchers books through direct response marketing.

The Company has entered into an ongoing licensing relationship with Heinz to develop and market the Weight Watchers brand for certain food products. Under the agreement, the Company retains all food licenses except that Heinz retains an exclusive, royalty-free global license to use the brand for certain food categories, including frozen foods, soups, condiments, canned fish and canned pasta. Heinz will also receive royalty payments from an existing portfolio of third-party licenses for various food products through 2004. After 2004, Heinz will assign those licenses to the Company.

In January 1999, the Company entered into a licensing agreement with Warnaco, an established clothing/shapewear manufacturer, to produce a broad range of Weight Watchers branded shapewear in the United States and Canada. Under this agreement, the Company will receive minimum average royalty payments of $2.1 million per year. Warnaco's exclusive license runs through July 31, 2004, and is renewable at Warnaco's option for an additional five years.

TRADE NAMES AND TRADEMARKS

The Weight Watchers brand is recognized worldwide. Careful management of the Company's brand identity and reputation is a fundamental element to its long-term success. As a result, the Company constantly monitors and acts as necessary to protect its intellectual property rights.

COMPETITION

The market for weight control includes commercial weight loss programs, self-help weight loss products, weight loss services administered by doctors, nutritionists and dieticians and weight loss drugs. Competition among commercial weight loss programs is largely based on the effectiveness of the program and price.

The most significant direct competitor in the United Kingdom is Slimming World. There are few direct competitors in the rest of Europe. In Australia/New Zealand, the Company's closest competitor is Jenny Craig. In the United States, the Company competes in the commercial weight control segment, along with other companies such as Jenny Craig, The Diet Workshop and Nutri/System, although the Company believes its business platforms are not comparable. For example, many of the competitors' businesses are based on the sale of prepackaged meals and meal replacements, whereas Weight Watchers program uses group support, education and behavior modification to help members change their eating habits without prepackaged foods. The Company believes that weight control is a lifelong challenge and that quick results offered by certain of these products are not sustainable and may have negative side effects.

When the diet drugs Phen/Fen and Redux became popular in 1996, many competitors turned to prescription drug sales as a way to boost sagging profitability. In September 1997, the United States Food and Drug Administration requested the withdrawal of fenfluramine (one of the pharmaceuticals used in "Phen/Fen") and dexfenfluramine ("Redux") from the U.S. market citing potential health risks. The manufacturer and distributor of these pharmaceuticals agreed to an immediate recall of these drugs. The resultant negative publicity and lawsuits over these drugs further weakened these competitors. Two new drugs have received approval from the FDA for the treatment of obesity. Meridia, approved in November 1997, and Xenical, approved in April 1999, are being marketed to physicians for use in their patients and directly to consumers. To date, competitors have not turned to the use of these drugs as part of their offering to clients. Any increase in competition, including scientific developments in weight control, new drugs and other technologies may have a material adverse impact on the Company.

REGULATION

A number of laws and regulations govern the Company's advertising, franchise operations and relations with consumers. The Federal Trade Commission and certain states regulate advertising, disclosures to consumers and franchisees, and other consumer matters. Company customers may file actions on their own behalf, as a class or otherwise, and may file complaints with the FTC or state or local consumer affairs offices and these agencies may take action on their own initiative or on a referral from consumers or others.

The Company and the FTC have entered into a Consent Order settling all contested issues raised in a complaint filed against the Company alleging that it violated the Federal Trade Commission Act by the use and content of certain advertisements for its weight loss program featuring testimonials, claims for the program's success and safety, and statements as to the program's costs to participants. The Consent Order does not admit any issue of fact or law or any violation by the Company of any law or regulation, and does not involve payment by the Company of any civil money penalty, damages, or other financial relief. The Consent Order requires certain procedures and disclosures in connection with the Company's advertisements of products and services. The FTC accepted the Consent Order, and it became effective as of December 24, 1997. The Company does not believe that compliance with the Consent Order will have a material adverse effect on its consolidated financial position or results of operations or its current advertising and marketing practices.

The Company's foreign operations and franchises are also generally subject to regulations of the applicable country regarding the offer and sale of franchises, the content of advertising and promotion of diet products and programs.

Future legislation or regulations including, without limitation, legislation or regulations affecting its marketing and advertising practices, relations with consumers or franchisees or the Company's food products, could have a material adverse impact on the Company.

EMPLOYEES AND SERVICE PROVIDERS

As of December 30, 2000, the Company has approximately 26,100 employees and service providers, of which 8,000 are located in the United States, 10,500 are located in the United Kingdom, 2,800 are located in Continental Europe and 4,800 are located in Australia and New Zealand. 107 employees work full-time as management and support personnel in the Woodbury, New York offices, 167 employees work full-time as management and support personnel at the regional offices in the three NACO regions, and 238 employees work full-time as management and support personnel worldwide. Approximately 8,600 service providers work part-time as leaders and approximately 18,600 work part-time as receptionists worldwide. None of the service providers or employees are represented by a labor union. The Company considers its employee relations to be good.

FORWARD LOOKING STATEMENTS

The information contained in this report, other than historical information, includes forward-looking statements including, in particular, the statements about plans, strategies and prospects under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operation," "Industry" and "Business." Words such as "may," "will," "expect," "anticipate," "believe," "estimate," "plan," "intend" and similar expressions in this report identify forward-looking statements. These forward-looking statements are based on current views with respect to future events and financial performance. Actual results could differ materially from those projected in the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions, including, among other things:

- risks associated with the Company's ability to meet the Company's debt obligations;

- risks associated with the relative success of marketing and advertising;

- risks associated with the continued attractiveness of the Company's diets;

- competition, including price competition and competition with self-help weight loss and medical programs; and

- adverse results in litigation and regulatory matters, the adoption of adverse legislation or regulations, more aggressive enforcement of existing legislation or regulations or a change in the interpretation of existing legislation or regulations.

ITEM 2. PROPERTIES

The Company is headquartered in Woodbury, New York in a 35,000 square-foot leased office. Each of the three NACO regions has a small regional office. The Woodbury lease expires in 2005, the Paramus, New Jersey call center lease expires in 2007, and the New York, New York Weight Watchers Magazine lease expires in 2002. The Company guarantees the rental commitments for WeightWatchers.com's office facility. The Company's remaining North American office leases are short-term. Each country operation also has one head office.

The Company holds its classes either in retail centers (typically leased spaces in strip malls for short terms, generally less than five years) or third-party locations (typically meeting rooms in well-located civic or religious organizations). In the eight month period ended December 30, 2000, there were approximately 1,300 NACO meeting locations in North America, including approximately 300 retail centers and 1,000 third-party locations. In the United Kingdom, there were approximately 4,200 meeting locations, with approximately 97% in third-party locations. In Continental Europe, there were approximately 2,630 meeting locations, with approximately 96% in third-party locations. In Australia/New Zealand, there were approximately 794 meeting locations, with approximately 97% in third-party locations.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material pending legal proceedings. The Company has had and continues to have disputes with the Company's franchisees regarding, among other things, operations and revenue sharing, including the interpretation of franchise territories as they relate to new media. In the opinion of management, based in part upon advice of legal counsel, the disposition of all such matters will not have a material effect on the consolidated financial statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

There is no established trading market for the Registrant's Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

In December 2000, the Company elected to change its fiscal year to end the Saturday closest to December 31st commencing with the eight month period ended December 30, 2000. In order to facilitate timely reporting in prior periods, certain foreign subsidiaries ended their fiscal years one month prior to the Company's fiscal year end with no material impact on the consolidated financial statements. The one month lag has now been eliminated effective April 30, 2000. The results of operations for the certain foreign subsidiaries have been adjusted for the eight month period ended December 30, 2000. This information has been derived from the Company's audited consolidated financial statements, unless otherwise stated. This data should be read in conjunction with the consolidated financial statements, related notes and other financial information included elsewhere in this report.

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
SELECTED FINANCIAL DATA
(IN THOUSANDS)

	Eight Month Periods Ended		Fiscal Years Ended				
	December 2000 (35 Weeks)	December 1999 (34 Weeks)	April 2000	April 1999	April 1998	April 1997	April 1996
		(Unaudited)					
Revenues, net	$ 273,175	$ 236,974	$ 399,574	$ 364,608	$ 297,245	$ 292,846	$ 323,316
Net income (loss)	$ 15,019	$ 23,176	$ 37,759	$ 47,982	$ 23,771	$ (24,089)	$ 21,490
Working capital	$ 10,199	$ (9,587)	$ (958)	$ 91,200	$ 65,792	$ 64,869	$ 83,593
Total assets	$ 346,217	$ 327,469	$ 334,207	$ 371,434	$ 370,799	$ 372,997	$ 393,387
Long-term obligations	$ 496,646	$ 512,890	$ 500,505	$ 16,664	$ 17,745	$ 71,613	$ 72,950

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

OVERVIEW

The Company is the largest provider of weight control programs in the world operating in 30 countries through a network of company-owned and franchise operations. The Company earns revenues by conducting meetings, selling products, collecting commissions from franchisees operating under its name, and by collecting royalties related to licensing agreements.

Domestic and international operations are run through a combination of company-owned and franchise operated locations. Franchisees typically pay a royalty fee of 10% of their meeting fee revenues.

A number of factors have affected the Company's revenues and profitability over the last several years. In the fiscal year ended 1990, Heinz began introducing and promoting the sale of prepackaged meals through the NACO network. These changes forced group leaders to become food salespeople and retail managers for food products, detracting from their function as role models and motivators for members. These changes caused a significant drop in customer satisfaction and employee morale, and NACO's attendance declined. Prior to the introduction of

prepackaged meal sales in fiscal year ended 1990, NACO's annual classroom attendance was 12.9 million, but by fiscal year ended 1997, attendance had dropped to 7.8 million. In contrast, in the international operations, where the prepackaged meals sales strategy was not implemented, attendance remained stable over this period. As NACO's focus turned to promoting and selling prepackaged meals, program development began to suffer. In response, the Company shifted to a more decentralized management approach, allowing the management of its international operations to begin to develop their own local business strategies and program innovations. This approach was successful and by 1996 international growth began to accelerate rapidly. Beginning in 1997, NACO operations were restructured by:

- eliminating the prepackaged meals programs,

- introducing 1-2-3 Success and Liberty/Loyalty,

- improving customer service,

- restoring employee morale, - relocating classes from fixed to rented meeting rooms,

- reducing back office and field headcount, and

- eliminating certain field offices.

The combination of the revitalization of the North American operation and the continued strong performance of international business contributed to the strong growth in revenues and profitability. In addition to franchise revenue and company-owned classroom revenues, the Company also sells to the Company's members and its franchisees ancillary products which complement its program such as points calculators, books, healthy snacks and CD-ROMS.

On January 16, 2001, the Company announced the completion of the acquisition of certain assets of Weighco Enterprises, Inc. ("Weighco"), one of the Company's largest franchised operations which, is located in the Southeastern, South-central and Northwestern United States of America.

RESULTS OF OPERATIONS

On September 29, 1999, the Company effected a recapitalization and stock purchase agreement ("the Transaction") with its former parent, H.J. Heinz Company ("Heinz"). The Company redeemed shares of common stock from Heinz for $349.5 million. The $349.5 million consisted of $324.5 million of cash and $25.0 million of the Company's redeemable Series A preferred stock. After the redemption, Artal Luxembourg S.A. purchased 94% of the Company's remaining common stock from Heinz for $223.7 million. The recapitalization and stock purchase was financed through borrowings under credit facilities amounting to approximately $237.0 million and by issuing Senior Subordinated Notes amounting to $255.0 million, due 2009. The balance of the borrowings was utilized to refinance debt incurred prior to the Transaction relating to the transfer of ownership and acquisition of the minority interest in the Weight Watchers businesses that operate in Australia and New Zealand. The acquisition of the minority interest resulted in approximately $15.9 million of goodwill. In connection with the transaction, the Company incurred approximately $8.3 million in transaction costs which were expensed and $15.9 million in deferred financing costs. For U.S. Federal and State tax purposes,

the transaction is being treated as a taxable sale under Section 338 (h)(10) of the Internal revenue Code of 1986 as amended. As a result, for tax purposes, the Company will record a step-up in the tax basis of net assets. For financial reporting purposes, a valuation allowance of approximately $72.1 million was established against the corresponding deferred tax asset of $144.2 million. Management concluded, more likely than not, this amount would not be utilized to reduce future tax payments. The Company will continue to monitor the need to maintain the valuation allowance in the future periods.

The Company issued one million shares of Series A Preferred Stock in conjunction with the Transaction. Holders of the Series A Preferred Stock are entitled to receive dividends at an annual rate of 6% payable annually in arrears. The Company has recorded a $1.0 million dividend at December 30, 2000. The liquidation preference of the Series A Preferred Stock is $25 per share. If there is a liquidation, dissolution or winding up, the holders of shares of Series A Preferred Stock are entitled to be paid out of the Company's assets available for distribution to shareholders an amount in cash equal to the $25 liquidation preference per share plus all accrued and unpaid dividends prior to the distribution of any assets to holders of shares of common stock.

The Transaction has been accounted for as a leveraged recapitalization, which had no impact on the historical book basis of the Company's assets or liabilities, with the exception of deferred taxes.

During the fourth quarter of the fiscal year ended 1997, the Company announced a reorganization and restructuring program. The reorganization plan was designed to strengthen the Company's classroom business and improve profitability and global growth. Charges related to the restructuring were recognized to reflect the exit from the Personal Cuisine Food Option in the United States Company-owned locations, the relocation of classes from certain fixed retail outlets to traveling locations, and other initiatives involving the exit of certain under-performing businesses and product lines.

Restructuring and related costs recorded in fiscal year ended 1997 totalled $51.7 million pretax. Pretax charges of $49.7 million were classified as classroom operating expenses and $2.0 million as selling, general and administrative expenses. The major components of the fiscal year ended 1997 charges and the remaining accrual were as follows:

	Non-Cash Asset Write-downs	Employee Termination and Severance Costs	Exit Costs: Accrued Exit Costs	Exit Costs: Implementation Costs	Total
Initial charge - 1997	$ 27,402	$ 4,723	$ 19,569	$--	$ 51,694
Amounts utilized - 1997	(27,402)	(339)	(46)	--	(27,787)
Accrued restructuring costs - April 26, 1997	--	4,384	19,523		23,907
Implementation costs - 1998	--	--	--	999	999
Amounts utilized - 1998	--	(3,709)	(8,553)	(999)	(13,261)
Accrued restructuring costs - April 25, 1998	--	675	10,970	--	11,645
Implementation costs - 1999	--	--	--	32	32
Amounts utilized - 1999	--	(186)	(3,769)	(32)	(3,987)
Accrued restructuring costs - April 24, 1999	--	489	7,201	--	7,690
Amounts utilized - 2000	--	--	(2,904)	--	(2,904)
Accrued restructuring costs - April 29, 2000	--	489	4,297	--	4,786
Amounts utilized - Apr 30 - Dec 30, 2000	--	(489)	(1,812)	--	(2,301)
Accrued restructuring costs - December 30, 2000	$ --	$ --	$ 2,485	$ --	$ 2,485

Asset write-downs of $16.9 million consisted primarily of fixed assets and other long-term asset impairments that were recorded as a direct result of the Company's decision to exit businesses or facilities. Such assets were written down based on management's estimate of fair value. Write-downs of $10.5 million were also recognized for estimated losses from disposals of classroom inventories, packaging materials and other assets related to product line rationalizations and process changes as a direct result of the Company's decision to exit businesses or facilities.

For the fiscal year ended April 24, 1998, the workforce was reduced by approximately 337 employees. Severance costs included charges related to both involuntary terminations and voluntary terminations. As part of the voluntary termination agreements, enhanced retirement benefits were offered to the affected employees. These amounts were included in the Employee Termination and Severance costs component of the restructuring charge.

Exit costs consist primarily of contract and lease termination costs associated with the Company's decision to exit the activities described above. In the eight month period ended

December 30, 2000, $1.8 million was utilized. The remaining accrued exit costs will be utilized through the fiscal year end 2002.

The results for the fiscal year ended 1998 included costs related to the implementation of the restructuring program of $999 thousand pretax, which were classified as selling, general and administrative expenses. These costs consist primarily of center relocation and training. The results for the fiscal year ended 1999 included costs related to the implementation of the restructuring program of $32 thousand pretax, which was classified as selling, general and administrative expenses. These costs consist primarily of relocation and training costs.

COMPARISON OF THE EIGHT MONTH PERIOD ENDED DECEMBER 30, 2000 TO THE EIGHT MONTH PERIOD ENDED DECEMBER 18, 1999.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. In order to facilitate timely reporting in prior periods, certain foreign subsidiaries ended their fiscal years one month prior to the Company's fiscal year end with no material impact on the consolidated financial statements. The one month lag has now been eliminated effective April 30, 2000. The results of operations for the certain foreign subsidiaries have been adjusted for the eight month period ended December 30,2000. The effect on net income of these subsidiaries for the period March 31, 2000 through April 29, 2000 was $1.1 million and was adjusted to opening accumulated deficit at April 30, 2000.

Net revenues were $273.2 million for the eight month period ended December 30, 2000, an increase of $36.2 million or 15.3% from $237.0 million for the eight month period ended December 18, 1999. Of the $36.2 million increase, $19.5 million was attributable to domestic Company-owned classroom meeting fees, $2.5 million from franchise revenues, $11.7 million from product sales, $0.2 and $2.3 million from licensing, publications, and other royalties and $2.3 million from foreign Company-owned classroom meeting fees.

Domestic Company-owned classroom meeting fee revenues were $96.8 million for the eight month period ended December 30, 2000, an increase of 25.3% from $77.3 million for the eight month period ended December 18, 1999. This increase in domestic Company-owned classroom meeting fee revenues was the result of a 14.2% increase in member attendance as well as a price increase in meetings fees in the majority of the Company's NACO markets. Foreign Company-owned classroom meeting fee revenues were $87.3 million for the eight month period ended December 30, 2000, an increase of 2.7% from $85.0 million for the eight month period ended December 18, 1999. This performance was a result of a 7.9% increase in attendance offset by negative exchange rate variances.

Domestic and international franchise revenues were $17.7 million for the eight month period ended December 30, 2000, an increase of 17.2% from $15.1 million for the eight month period ended December 18, 1999. This increase was primarily the result of an increase in member attendance offset by negative exchange rate variances.

Product revenues were $66.4 million for the eight month period ended December 30, 2000, an increase of 21.4% from $54.7 million for the eight month period ended December 18,

1999. This increase in product revenues was primarily the result of increased member attendance and the Company's strategy to focus sales efforts on core classroom products.

Royalties from licensing, publications and other were $5.1 million for the eight month period ended December 30, 2000, an increase of 4% from $4.9 million for the eight month period ended December 18, 1999.

Cost of revenues was $139.3 million for the eight month period ended December 30, 2000, an increase of 13.8% from $122.4 million for the eight month period ended December 18, 1999. This increase was primarily the result of an increased number of meetings to accommodate attendance growth and increased product sales. Gross profit margin was 49.0% for the eight month period ended December 30, 2000 compared to 48.4% for the eight month period ended December 18, 1999. The increase in gross profit margin was primarily due to an increase in attendance per meeting and a change in product mix with a greater focus on higher margin core products.

Marketing expenses were $27.0 million for the eight month period ended December 30, 2000, a decrease of 3.1% from $27.8 million for the eight month period ended December 18, 1999. As a percentage of revenue, marketing decreased from 11.7% for the eight month period ended December 18, 1999 to 9.9% for the eight month period ended December 30, 2000 as a result of the Company's efforts to improve the effectiveness of its marketing program.

Selling, general and administrative expenses were $32.2 million for the eight month period ended December 30, 2000, an increase of 9.6% from $29.4 million for the eight month period ended December 18, 1999. This increase was partly the result of an increase in incentive compensation as well as other professional fees incurred. As a percentage of revenue, these costs decreased from 12.4% for the eight month period ended December 18, 1999 to 11.8% for the eight month period ended December 30, 2000.

As a result of the above, operating income was $74.7 million for the eight month period ended December 30, 2000, an increase of 34.4% from operating income of $55.6 million (excluding a one-time charge of $8.3 million for transaction costs and $1.8 million of discontinued food royalties) for the eight month period ended December 18, 1999.

COMPARISON OF FISCAL YEAR ENDED APRIL 29, 2000 TO FISCAL YEAR ENDED APRIL 24,
1999.

Net revenues were $399.6 million for the fiscal year ended April 29, 2000, an increase of $35.0 million or 9.6% from $364.6 million for the fiscal year ended April 24, 1999 (net of promotional allowances of $23.0 million and $40.2 million, respectively). Of the $35.0 million increase, $8.5 million was attributable to domestic Company-owned classroom meeting fees, $8.8 million from foreign Company-owned classroom meeting fees, $2.6 million from franchise commissions, and $26.9 million from product sales, which were offset by an $11.8 million decline in royalties from licensing, publications, and other. The decline in royalties is directly related to the discontinuation of food royalties from Heinz as a result of the Transaction and the recognition in the fiscal year ended April 24, 1999 of the present value of the guaranteed future payments from the Warnaco licensing agreement. Adjusting for the discontinued food royalties of $1.8 million, net revenues were $397.8 million for the fiscal year ended April 29, 2000, an increase of 13.5% from $350.6 million (excluding $8.7 million from non-recurring revenue from

the Warnaco licensing agreement and $5.3 million from discontinued food royalties) for the fiscal year ended April 24, 1999.

Domestic Company-owned classroom meeting fee revenues were $130.8 million for the fiscal year ended April 29, 2000 an increase of 6.9% from $122.3 million for the fiscal year ended April 24, 1999 (net of promotional allowances of $5.7 million and $23.0 million, respectively). This increase in domestic Company-owned classroom meeting fee revenues was the result of a 22% increase in member attendance, partially offset by lower average meeting fee revenue per attendee as a result of the rollout of the Liberty/Loyalty pricing strategy. Foreign Company-owned classroom meeting fee revenues were $152.7 million for the fiscal year ended April 29, 2000, an increase of 6.1% from $143.9 million for the fiscal year ended April 24, 1999 (net of promotional allowances of $17.4 million and $17.2 million, respectively). This increase in foreign Company-owned classroom meeting fee revenues was the result of a 6.1% increase in international attendance in the UK, Continental Europe and Australia.

Domestic franchise revenues were $21.3 million for the fiscal year ended April 29, 2000, an increase of 11.5% from $19.1 million for the fiscal year ended April 24, 1999. This increase in domestic franchise revenues was primarily the result of an increase in member attendance, due to improved training and support and increased marketing effectiveness. Foreign franchise revenues were $4.5 million for the fiscal year ended April 29, 2000, an increase of 9.8% from $4.1 million for the fiscal year ended April 24, 1999. This increase was primarily the result of a strong performance in Canada and Ireland.

Product revenues were $84.2 million for the fiscal year ended April 29, 2000, an increase of 47.0% from $57.3 million for the fiscal year ended April 24, 1999. This increase in product revenues was primarily the result of increased member attendance and the Company's strategy to focus sales efforts on core classroom products, including its newly introduced nutrition bars.

Royalties from licensing, publications and other were $4.3 million (excluding $1.8 million from discontinued food royalties) for the fiscal year ended April 29, 2000, an increase of 10.3% from $3.9 million (excluding $8.7 million from non-recurring revenue from the Warnaco licensing agreement and $5.3 million from discontinued food royalties) for the fiscal year ended April 24, 1999.

Cost of revenues was $201.4 million for the fiscal year ended April 29, 2000, an increase of 12.6% from $178.9 million for the fiscal year ended April 24, 1999. This increase was primarily the result of an increased number of meetings to accommodate attendance growth and growing product sales. Gross profit margin was 49.4% for fiscal year ended April 29, 2000 (excluding $1.8 million from discontinued food royalties) compared to 49.0% for the fiscal year ended April 24, 1999 (excluding $8.7 million from non-recurring revenue from the Warnaco licensing agreement and $5.3 million from discontinued food royalties).

Marketing expenses were $51.5 million for the fiscal year ended April 29, 2000, a decrease of 2.6% from $52.9 million for the fiscal year ended April 24, 1999 (net of promotional allowances of $23.0 million and $40.2 million, respectively). The Company's marketing program remains unchanged. The decrease of $1.4 million is related to amounts expended under

Heinz's marketing programs in the fiscal year ended April 24, 1999 and the discontinuation of food royalty related marketing rebate expenses.

Selling, general and administrative expenses were $50.7 million for the fiscal year ended April 29, 2000, an increase of 3.7% from $48.9 million for the fiscal year ended April 24, 1999. As a percentage of net revenues (excluding $1.8 million from discontinued food royalties in the fiscal year ended April 29, 2000 and excluding $8.7 million from non-recurring revenue from the Warnaco licensing agreement and $5.3 million from discontinued food royalties in the fiscal year ended April 24, 1999), these costs were 12.7% for the fiscal year ended April 29, 2000 compared to 13.9% for the fiscal year ended April 24, 1999. This percentage decrease was due to the continued benefit of the Company's restructuring and reorganization program.

As a result of the above, operating income was $94.2 million (excluding a one-time charge of $8.3 million of transaction costs and $1.8 million in revenue from discontinued food royalties) for the year ended April 29, 2000, an increase of 34.8% from operating income of $69.9 million (excluding $8.7 million of non-recurring revenue from the Warnaco licensing agreement and $5.3 million from discontinued food royalties) for the fiscal year ended April 24, 1999.

COMPARISON OF FISCAL YEAR ENDED APRIL 24, 1999 TO FISCAL YEAR ENDED APRIL 25,
1998.

Net revenues were $364.6 million for the fiscal year ended April 24, 1999, an increase of $67.4 million or 22.7%, from $297.2 million for the fiscal year ended April 25, 1998 (net of promotional allowances of $40.2 million and $37.1 million, respectively). Of the $67.4 million increase, $28.5 million was attributable to domestic Company-owned classrooms, $14.8 million to foreign Company-owned classrooms, $5.3 million to franchise commissions, $9.8 million to products sales and $9.0 million to royalties from licensing publications, and other. The increase in royalties was due to the recognition, in fiscal year ended April 24, 1999, of the present value of the guaranteed future payments from the Warnaco licensing agreement. Adjusting for the Warnaco licensing agreement of $8.7 million, net revenues were $355.9 million for the fiscal year ended April 24, 1999, an increase of $58.7 million, or 19.8%, from $297.2 million for the fiscal year ended April 25, 1998.

Domestic Company-owned classroom meeting fee revenues were $122.3 million for the fiscal year ended April 24, 1999, an increase of 30.4% from $93.8 million for the fiscal year ended April 25, 1998 (net of promotional allowances of $23.0 million and $19.5 million, respectively). This increase in domestic Company-owned classroom meeting fee revenues was the result of a 29% increase in member attendance. The Company believes the increase in member attendance was due to the continued improvement in member satisfaction which resulted from the full year impact of 1- 2- 3 Success and the elimination of its prepackaged meals program. Foreign Company-owned classroom meeting fee revenues were $143.8 million for the fiscal year ended April 24, 1999, an increase of 11.5% from $129.0 million for the fiscal year ended April 25, 1998 (net of promotional allowances of $17.2 million and $17.6 million, respectively). This increase in foreign Company-owned classroom meeting fee revenues was the result of a 6% increase in international attendance in the UK, continental Europe and Australia.

Domestic franchise revenues were $19.1 million for the fiscal year ended April 24, 1999, an increase of 32.9% from $14.4 million for the fiscal year ended April 25, 1998. This increase in domestic franchise revenues was primarily the result of an increase in member attendance, which was due to the full year impact of 1- 2- 3 Success, improved training and support and increase marketing effectiveness. Foreign franchise revenues were $4.1 million for the fiscal year ended April 24, 1999, an increase of 15.3% from $3.5 million for the fiscal year ended April 25, 1998. This increase was primarily the result of a strong performance in Canada and Ireland.

Product revenues were $57.3 million for the fiscal year ended April 24, 1999, an increase of 20.6% from $47.5 million for the fiscal year ended April 25, 1998. This increase in product revenues was primarily the result of increased member attendance. In addition, the elimination of approximately two-thirds of items in NACO allowed the Company to focus its sales efforts on its core products.

Royalties from licensing, publications and other were $9.3 million (excluding $8.7 million of non-recurring revenue from the Warnaco licensing agreement) for the fiscal year ended April 24, 1999, an increase of 3.3% from $9.0 million for the fiscal year ended April 25, 1998.

Cost of revenues was $178.9 million for the fiscal year ended April 24, 1999, an increase of 11.8% from $160.0 million for the fiscal year ended April 25, 1998. This increase was attributable to the increased levels of attendance. Gross profit margin (net of promotional allowances of $40.2 million and $37.1 million, respectively), however, increased from 46.2% for the fiscal year ended April 25, 1998 to 49.7% (excluding $8.7 million of non-recurring revenue from the Warnaco licensing agreement) for the fiscal year ended April 24, 1999. This increase in gross margin was due to various factors, including an increase in attendance per meeting, an increase in the ratio of third-party locations to total locations, and a change in product mix with a focus on higher margin core products.

Marketing expenses were $52.9 million for the fiscal year ended April 24, 1999, an increase of 7.5% from $49.2 million for the fiscal year ended April 25, 1998 (net of promotional allowances of $40.2 million and $37.1 million, respectively). This increase in marketing expenses was the result of an increase in advertising .

Selling, general and administrative expenses were $48.9 million for the fiscal year ended April 24, 1999, an increase of 10.9% from $44.1 million for the fiscal year ended April 25, 1998. As a percentage of total revenues, (excluding $8.7 million of non-recurring revenue from the Warnaco licensing agreement), these costs decreased from 14.8% for fiscal year ended April 25, 1998 to 13.7% for fiscal year ended April 24, 1999. This percentage decrease was due to the continued benefit of the Company's restructuring and reorganization program, which allowed the Company to eliminate certain costs that were not directly associated with its core business, classroom operations and related products.

As a result of the above, operating income was $75.2 million (excluding $8.7 million of non-recurring revenue from the Warnaco licensing agreement) for the fiscal year ended April 24, 1999, an increase of 70.9% from operating income of $43.9 million for the fiscal year ended April 25, 1998.

LIQUIDITY AND CAPITAL RESOURCES

During the eight month period December 30, 2000, the primary source of funds to meet working capital needs was cash from operations. Cash and cash equivalents increased $0.5 million during the eight month period ended December 30, 2000. Cash flows provided by operating activities were $28.9 million. This was driven by increased meeting revenue and strong product sales. Cash flows used for investing and financing activities were $21.6 and $8.0 million, respectively. The use of cash relating to investing activities was mainly attributable to the current year's advance to WeightWatchers.com, buy back of minority interest and capital expenditures while the use of cash for financing activities was attributable to the payment of principal on the Company's outstanding debt.

The total cash required to effect the Transaction was $496.0 million. The Company funded the Transaction and related costs from available cash, the proceeds of the notes and $237.0 million in borrowings under the new credit facilities.

Capital spending has averaged approximately $2.7 million annually over the last three years and has consisted primarily of leasehold improvements for meeting locations and administrative offices, computer equipment for field staff and call centers, and year 2000 upgrades.

The Company is significantly leveraged. As of December 30, 2000, there was outstanding $470.7 million in aggregate indebtedness. On January 16, 2001 the Company completed the acquisition of the Weight Watchers franchised territories and certain business assets of Weighco Enterprises, Inc., Weighco of Northeast Inc., and Weighco of Southwest, Inc. pursuant to the terms of the Asset Purchase Agreement, dated as of December 11, 2000. The purchase price for the acquisition was $83.8 million. Of this amount, the Company obtained $60.0 million in borrowings comprised of a $25 million revolver, $15 million term A loan and $20 million term D loan. Term A and term D loans bear interest at a rate equal to LIBOR and the revolver bears interest at a rate equal to prime.

The Company believes that cash flow from operating activities, together with borrowings available under the revolving credit facility, will be sufficient to fund its currently anticipated capital investment requirements, debt service requirements and working capital requirements. Any future acquisitions, joint ventures or other similar transactions will likely require additional capital and the Company cannot be certain that any such capital will be available to it on acceptable terms, or at all.

The Company's credit facilities provide senior secured financing of up to $267.0 million, consisting of the $75.0 million term loan A facility with a maturity of six years, the $75.0 million term loan B facility with a maturity of seven years, the $87.0 million transferable loan certificate facility with a maturity of seven years, and a $30.0 million revolving credit facility. The Company drew the full amount of the term loan A facility, the term loan B facility and the transferable loan certificate facility upon closing of the Transaction. The revolving credit facility commitment will terminate six years from the date of the closing of the credit facilities.

The term loan A facility, the term loan B facility, the transferable loan certificate facility and the revolving credit facility will initially bear interest, subject to performance based stepdowns applicable to the term loan A facility and the revolving credit facility, at a rate equal to (a) in the case of the term loan A facility and the revolving credit facility, LIBOR plus 3.25% or, at the Company's option, the alternate base rate (as defined in the credit facilities) plus

2.25%; or (b) in the case of the term loan B facility and the transferable loan certificate facility, LIBOR plus 4.00% or, at the Company's option, the alternate base rate plus 3.00%.

In addition to paying interest on outstanding principal under the credit facilities, the Company is required to pay a commitment fee to the lenders under the revolving credit facility with respect to the unused commitments at a rate equal to 0.50% per year.

The notes will mature in 2009. The Company's obligations under the notes are subordinate and junior in right of payment to all of its existing and future senior indebtedness, including all indebtedness under the credit facilities. The indentures restrict, among other things, its ability to incur additional indebtedness, issue shares of disqualified stock and preferred stock, pay dividends or make certain other restricted payments and enter into certain transactions with affiliates, and impose certain restrictions on the ability of its subsidiaries to pay dividends or make certain payments to the Company, merge or consolidate with any other person or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets.

In addition, the Company has one million shares of Series A Preferred Stock issued and outstanding with a preference value of $25.0 million at December 30, 2000. Holders of Series A Preferred Stock are entitled to receive dividends at an annual rate of 6% payable annually in arrears.

The Company's ability to fund its capital investment requirements, interest, principal and dividend payment obligations and working capital requirements and to comply with all of the financial covenants under its debt agreements depends on the Company's future operations, performance and cash flow. These are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond its control.

OTHER MATTERS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement established accounting and reporting standards for derivative instruments. The statement requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative instruments and Hedging Activities-Deferral of the Effective Date of Statement 133," which postponed the adoption date of SFAS No. 133. As such, the Company is required to adopt the statement effective January 1, 2001. Management has not yet determined the impact adoption will have on the Company's financial position or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to foreign currency fluctuations and interest rate changes. The Company's exposure to market risk for changes in interest rates relates to the fair value of long-term fixed rate debt and interest expense of variable rate debt. The Company has historically

managed interest rates through the use of, and its long-term debt is currently composed of, a combination of fixed and variable rate borrowings. Generally, the fair market value of fixed rate debt will increase as interest rates fall and decrease as interest rates rise.

Based on the overall interest rate exposure on the Company's fixed rate borrowings at December 30, 2000 a 10% change in market interest rates would have less than a 5% impact on the fair value of the Company's long-term debt. Based on variable rate debt levels at December 30, 2000, a 10% change in market interest rates would have less than a 5% impact on the Company's interest expense, net.

Other than intercompany transactions between its domestic and foreign entities and the portion of the notes which are denominated in euro dollars, the Company generally does not have significant transactions that are denominated in a currency other than the functional currency applicable to each entity.

The Company enters into forward and swap contracts to hedge transactions denominated in foreign currencies in order to reduce the currency risk associated with fluctuating exchange rates. Such contracts are used primarily to hedge certain intercompany cash flows and for payments arising from certain foreign currency denominated obligations. Realized and unrealized gains and losses from instruments qualifying as hedges are included in net income for the period.

Fluctuations in currency exchange rates may also impact the Company's stockholders' equity. The assets and liabilities of the Company's non-U.S. subsidiaries are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated into U.S. dollars at the weighted average exchange rate for the year. The resulting translation adjustments are recorded in stockholders' equity as accumulated other comprehensive income (loss). In addition, fluctuations in the value of the euro will cause the U.S. dollar translated amounts to change in comparison to prior periods and may impact interest expense. Furthermore, the Company will revalue the outstanding euro notes at the end of each period, and the resulting change in value will be reflected in the income statement of the corresponding period.

Each of the Company's subsidiaries derives revenues and incurs expenses primarily within a single country, and consequently, does not generally incur currency risks in connection with the conduct of normal business operations.

The Company uses foreign currency forward contracts to more properly align the underlying sources of cash flow with debt servicing requirements. At December 30, 2000, the Company had long-term foreign currency forward contracts receivable with notional amounts of USD 44.0 million and EUR 76.0 million offset by foreign currency forward contracts payable with notional amounts of GBP 59.2 million and USD 21.9 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

This information is incorporated by reference to the "Consolidated Financial Statements and Notes" on pages F-1 through F-39, together with the report thereon of PricewaterhouseCoopers LLP on page F-38.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE.

PART III

ITEM 10. EXECUTIVE OFFICERS AND DIRECTORS OF THE COMPANY

The following table sets forth certain information concerning each of the Company's executive officers. All officers serve at the pleasure of the Board of Directors.

Name	Age	Position
Linda Huett	56	President and Chief Executive Officer
Thomas S. Kiritsis	56	Vice President and Chief Financial Officer
Robert W. Hollweg	58	Vice President, General Counsel and Secretary
Clive Brothers	47	Chief Operating Officer, Continental Europe
John Dennis	44	General Manager, United Kingdom
Robert Mallow	43	Vice President, NACO Operations
Scott Penn	29	Vice President, Australasia
Raymond Debbane	45	Chairman of the Board
Jonas M. Fajgenbaum	28	Director
Kent Q. Kreh	64	Director
Sacha Lainovic	44	Director
Richard Penn	55	Director
Christopher J. Sobecki	42	Director

Linda Huett. Ms. Huett is the President and Chief Executive Officer as well as a Director of the Company. Ms. Huett joined the Company in 1984 as a classroom leader. Ms. Huett was promoted to U.K. Training Manager in 1986. In 1990, Ms. Huett was appointed Director of the United Kingdom operation and in 1993 was appointed Vice President of Weight Watchers U.K. Ms. Huett graduated from Gustavas Adolphus College and received her Masters in Theater from Yale University.

Thomas S. Kiritsis. Mr. Kiritsis is Vice President and Chief Financial Officer. Mr. Kiritsis joined the Company in May 2000. From June 1994 to April 2000, he was Senior Vice President of Finance of Olsten Corporation. Mr. Kiritsis received a B.B.A. in Accounting from Hofstra University and is a Certified Public Accountant.

Robert W. Hollweg. Mr. Hollweg is Vice President, General Counsel and Secretary. He joined the Company in 1969 as an Assistant Counsel in the Law Department. He transferred to the Heinz Law Department subsequent to the acquisition of the Company by Heinz in 1978 and served there in various capacities. He rejoined the Company after its acquisition by Artal in September 1999. Mr. Hollweg graduated from Fordham University and received his Juris Doctor degree from Fordham University School of Law. He is a member of the American and New York State Bar Associations and a former President of the International Trademark Association.

Clive Brothers. Mr. Brothers is Chief Operating Officer, Continental Europe and United Kingdom. Mr. Brothers joined the Company in 1985 as Marketing Manager, U.K. In 1990, Mr. Brothers was appointed General Manager, France. Mr. Brothers received a B.A. from Leeds Polytechnic in England and a Diploma in Marketing from the Chartered Institute of Marketing.

John Dennis. Mr. Dennis is General Manger, Weight Watchers (U.K.) Limited. Mr. Dennis was appointed to this position in 1999. He joined Weight Watchers (U.K.) Limited in 1992 as Head of Finance, having previously worked for Nabisco Brands Ltd. and Grand Metropolitan Foods Ltd. Mr. Dennis qualified as a member of the Chartered Institute of Management Accountants in 1984.

Robert Mallow. Mr. Mallow is Vice President, NACO Operations. He joined Weight Watchers International, Inc. in 1983 as Northeastern Regional Manager, Franchise Department. In January 1985, Mr. Mallow was promoted to National Franchise Manager, Weight Watchers International Inc. In April 1987, he became Vice President, General Manager Business Operations, Weight Watchers of Syracuse, Inc. In November 1991, Mr. Mallow was promoted to Regional Field Director, Weight Watchers North America, Inc. In September 1996, Mr. Mallow was appointed to his present position. Mr. Mallow received a B.A. in Economics from the State University of New York at Cortland and an M.B.A. from the State University of New York at Binghamton.

Scott Penn. Mr. Penn is Vice President, Australasia operations. Mr. Penn joined the Company in 1994 as a Marketing Services Manager in Australia. In 1996, Mr. Penn was promoted to Group Marketing Manager in Australia and in 1997 he was promoted to General Manager-Marketing & Finance. In 1999, Mr. Penn was promoted to his present position.

Raymond Debbane. Mr. Debbane became Chairman of the Board upon completion of the Transaction. Mr. Debbane is a co-founder and President of Invus. Prior to forming Invus in 1985, Mr. Debbane was a manager and consultant for The Boston Consulting Group in Paris, France. He holds an M.B.A. from Stanford Graduate School of Business, an M.S. in Food Science and Technology from the University of California, Davis and a B.S. in Agricultural Sciences and Agricultural Engineering from American University of Beirut. Mr. Debbane is director of Artal Group S.A., Ceres, Inc., Financial Technologies International Inc., Nellson Neutraceuticals, Inc. and the Advisory Board of Oxford BioScience Partners and also served as a director of Keebler Foods Company from 1996 to 1999.

Jonas M. Fajgenbaum. Mr. Fajgenbaum became a Director upon completion of the Transaction. Mr. Fajgenbaum is a director at Invus. He joined the firm in 1996. Prior to joining

Invus, Mr. Fajgenbaum was a consultant for McKinsey & Company in New York from 1994 to 1996. He graduated with a B.S. from the Wharton School of Business and a B.A. in Economics from the University of Pennsylvania in 1994.

Kent Q. Kreh. Mr. Kreh, a Director since 1997, served as President and Chief Executive Officer of Weight Watchers International, Inc. from 1997 to 1999. He joined Weight Watchers in 1972 as Marketing Director and was named Executive Vice President and Publisher of Weight Watchers publications in 1983. Prior to joining the Company he was employed by General Mills, Bristol Myers and Ford Motor Company. Mr. Kreh received his B.A. from the University of Missouri, Columbia. Mr. Kreh is a board member of the Public Health Research Institute, New York City, the American Obesity Association, Washington D.C. and the American Heart Association, New York City. Mr. Kreh resigned as a member of the Board of Directors effective October 12, 2000.

Sacha Lainovic. Mr. Lainovic became a Director upon completion of the Transaction. Mr. Lainovic is a co-founder and Executive Vice President of Invus. Prior to forming Invus in 1985, Mr. Lainovic was a manager and consultant for the Boston Consulting Group in Paris, France. He holds an M.B.A. from Stanford Graduate School for Business and an M.S. in engineering from Insa de Lyon in Lyon, France. Mr. Lainovic is a director of Financial Technologies International Inc., Nellson Nutraceuticals, Inc., and Delta Radio, and also served as a director of Keebler Foods Company from 1996 to 1999.

Richard Penn. Mr. Penn became a Director upon completion of the Transaction. From 1984 to 1999, Mr. Penn was Managing Director of Weight Watchers Australia. Mr. Penn began his career with McCann Erickson in advertising and joined the Coca-Cola Company (Australia) in 1968. Mr. Penn served as the first President of the International Weight Watchers franchise Association from 1993 to 1995. Richard Penn is the father of Scott Penn.

Christopher J. Sobecki. Mr. Sobecki became a Director upon completion of the Transaction. Mr. Sobecki, a Managing Director of Invus, joined the firm in 1989. He received an M.B.A. from Harvard Business School. He also obtained a B.S. in Industrial Engineering from Purdue University. Mr. Sobecki is a director of Nellson Neutraceuticals, Inc. Financial Technologies International Inc. and iLife, Inc. He also served as director of Keebler Foods Company from 1996 to 1998.

BOARD OF DIRECTORS REPORT ON EXECUTIVE COMPENSATION PROGRAMS

The Board of Directors oversees the Compensation Programs of the Company, with particular attention to the compensation for the Company's Chief Executive Officer and the other Executive Officers. It is the responsibility of the Board of Directors to review, recommend and approve changes to the Company's compensation policies and benefits programs, to administer the Company's stock plans, including approving stock option grants to executive officers and certain other stock option grants, and to otherwise ensure that the Company's compensation philosophy is consistent with the Company's best interests and is properly implemented.

The compensation philosophy of the Company is to (i) provide a competitive total compensation package that enables the Company to attract and retain key executive and employee talent needed to accomplish the Company's goals and (ii) directly link compensation to improvements in the Company's financial and operational performance.

Total compensation is comprised of base salary, both cash and noncash incentive compensation, and is based on the Company's financial performance and other factors and is delivered through a combination of cash and equity-based awards. This approach results in overall compensation levels which follow the financial performance of the Company.

The Board of Directors reviews each senior executive officer's base salary annually. In determining appropriate base salary levels, consideration is given to the officer's impact level, scope of responsibility, prior experience, past accomplishments, and data on prevailing compensation levels in relevant executive labor markets.

The Board of Directors believes that granting stock options provides officers with a strong economic interest in maximizing shareholder returns over the longer term. The Company believes that the practice of granting stock options is critical to retaining and recruiting the key talent necessary at all employee levels to ensure the Company's continued success.

The Board of Directors will continue to monitor the Company's compensation program in order to maintain the proper balance between cash compensation and equity-based incentives and may consider further revisions in the future, although it is expected that equity-based compensation will remain one of the principal components of compensation.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth, for the eight month period ended December 30, 2000, and for the fiscal years ended April 29, 2000 and April 24, 1999, the compensation paid to the Company's President and to each of the next four most highly compensated executive officers whose total annual salary and bonus was in excess of $100,000.

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION SALARY ($)	ANNUAL COMPENSATION BONUS ($)	LONG-TERM COMPENSATION AWARDS (1) SECURITIES UNDERLYING OPTIONS (NO. AWARDED)	ALL OTHER COMPENSATION ($)(2)
LINDA HUETT	December 30, 2000	171,166	283,351	30,000	75,608
President & Chief Executive Officer	April 29, 2000	183,750	215,159	71,385	288,905
	April 24, 1999	138,574	219,435	40,000	--
THOMAS S. KIRITSIS	December 30, 2000	130,798	160,035	71,385	26,747
Vice President & Chief Financial Officer.					
CLIVE BROTHERS	December 30, 2000	105,638	154,215	--	13,693
Chief Operating Officer	April 29, 2000	143,423	158,597	71,385	12,908
Continental Europe & United Kingdom.....	April 24, 1999	138,574	219,435	40,000	--
ROBERT MALLOW	December 30, 2000	104,776	124,010	--	22,642
Vice President	April 29, 2000	162,839	79,244	71,385	10,005
Weight Watchers North America.....	April 24, 1999	124,380	213,547	35,000	27,218
ROBERT HOLLWEG	December 30, 2000	100,010	100,013	71,385	36,328
Vice President					
General Counsel & Secretary.....					
JOHN DENNIS	April 29, 2000	108,702	112,338	17,846	9,710
General Manager	April 24, 1999	89,667	48,871	500	7,998
United Kingdom.....					
STEPHANIE KONECOFF	April 29, 2000	126,792	65,828	71,385	10,021
Vice President	April 24, 1999	121,266	165,830	11,000	10,000
Franchise Business Relations.....					
KENT KREH(3)	April 29, 2000	118,385	--	--	--
President And Chief Executive	April 24, 1999	231,048	651,511	90,000	140,552
Officer.....					

(1) Awards of stock were made to the named executives. Prior to 9/29/99, options were granted to the named executives under the H.J. Heinz, 1996 Stock Option Plan. Subsequent to 9/29/99, options were granted to named executives under the 1999 Stock Purchase and Option Plan of Weight Watchers International, Inc. and Subsidiaries and WeightWatchers.com Stock Incentive Plan of Weight Watchers International, Inc. and Subsidiaries.

(2) Includes amounts contributed under the Weight Watchers 401(k) Savings Plan and the Weight Watchers Non-Qualified Executive Profit Sharing Plan of $57,949 for Ms. Huett, $22,159 for Mr. Kiritsis, $18,047 for Mr. Mallow, $10,021 for Ms. Konecoff and $29,086 for Mr. Hollweg. Includes contributions to the UK Pension Plan of $10,281 for Mr. Brothers. Also includes auto lease expense for named executives.

(3) Mr. Kreh resigned his position as President and Chief Executive Officer from Weight Watchers International as of 9/29/99.

In December 1999, the Board of Directors adopted the "1999 Stock Purchase and Option Plan of Weight Watchers International, Inc. and Subsidiaries" pursuant to which selected employees were afforded the opportunity to purchase shares of the Company's common stock and/or were granted options to purchase shares of the Company's common stock. The number of shares available for grant under this plan is 1,200,000 shares of authorized common stock of the Company. The following table sets forth certain information regarding options granted during the eight month period ended December 30, 2000 to the named executive officers under the Weight Watchers International, Inc. and Subsidiaries Option Plan.

Weight Watchers International, Inc. and Subsidiaries Option Grants
for the eight month period ended December 30, 2000

	Individual Grants				
Name	Number of Securities Underlying Options Granted(1)	Percent of Total Options Granted to Employees in Fiscal Year(2)	Exercise or Base Price ($/Shares)	Expiration Date	Grant Date Present Value($)(3)
Linda Huett	30,000	28.6%	$ 10.00	7/4/10	$138,600
Thomas S. Kiritsis.	60,000	57.1%	$ 10.00	6/14/10	$279,000

(1) Options were granted during the eight month period ended December 30, 2000 pursuant to the terms of the option plan. No options under the plan were exercised during the eight month period ended December 30, 2000. Options are exercisable based on vesting provisions outlined in the agreement.

(2) Percentage of total options granted are based on total grants made to all employees during the eight month period ended December 30, 2000.

(3) The estimated grant date's present value is determined using the Black-Scholes model. The adjustments and assumptions incorporated in the Black-Scholes model in estimating the value of the grants include the following: (a) exercise price of options equals the fair market value of the underlying stock on the date of grant; (b) option term 10 years; (c) dividend yield and volatility of 0%; and (d) a risk free interest rate ranging from 6.20% to 6.26%. The ultimate value, if any, an optionee will realize upon exercise of an option will depend on the excess of the market value of the Company's common stock over the exercise price on the date the option is granted.

In April 2000, the Board of Directors adopted the "WeightWatchers.com Stock Incentive Plan of Weight Watchers International, Inc. and Subsidiaries" pursuant to which selected employees were granted options to purchase shares of common stock of WeightWatchers.com, Inc. that are owned by the Company. The number of shares available for grant under this Plan is 400,000 shares of authorized common stock of WeightWatchers.com, Inc. The following table sets forth certain information regarding options granted during eight month period ended December 30, 2000 to the named executive officers under the WeightWatchers.com Option Plan.

WeightWatchers.com Option Grants for the eight month period ended December 30, 2000.

	Individual Grants				
Name	Number of Securities Underlying Options Granted(1)	Percent of Total Options Granted to Employees in Fiscal Year(2)	Exercise or Base Price ($/Share)	Expiration Date	Grant Date Present Value($)(3)
Thomas S. Kiritsis.	11,385	80%	.50	6/14/10	$2,619

(1) Options were granted during the eight month period ended December 30, 2000 pursuant to the terms of the option plan. Options are exercisable based on vesting provisions outlined in the agreement.

(2) Percentage of total options granted are based on total grants made to Weight Watchers employees during the eight month period ended December 30, 2000.

(3) The estimated grant date's present value is determined using the Black-Scholes model. The adjustments and assumptions incorporated in the Black-Scholes model in estimating the value of the grants include the following: (a) price paid per share of $.50 (b) option term 10 years; (c) dividend yield and volatility of 0%; and (d) a risk free interest rate of 6.26%. The ultimate value, if any, an optionee will realize upon exercise of an option will depend on the excess of the market value of the Company's common stock over the exercise price on the date the option is granted.

DIRECTOR COMPENSATION

Kent Q. Kreh and Richard Penn each received $25,000 per year for their services as Directors. Other directors do not receive compensation except in their capacity as officers or employees.

EMPLOYMENT AGREEMENTS AND SEVERANCE POLICIES

As of August 30, 1996, the Company entered into an employment agreement with Robert Mallow, Vice President of NACO Operations. Mr. Mallow's employment agreement provides for a base salary, subject to increases, and for participation in an annual incentive bonus scheme. Under the agreement, in the event of a termination of Mr. Mallow's employment by the Company for just cause (which term is not defined in the agreement), Mr. Mallow is eligible for salary continuation for a period of one year from the date of termination.

The Company is in the process of establishing a severance policy to cover all full-time salaried employees. It is intended that the severance policy will provide continuation of base salary for employees for some period of time after an individual's employment is terminated under specified circumstances. The Company is still in the process of establishing the guidelines for this policy.

EXECUTIVE SAVINGS AND PROFIT SHARING PLAN

The Company sponsors the Weight Watchers Savings Plan for salaried and eligible hourly employees. This defined contribution plan provides for employer matching contributions up to 100% of the first 3% of an employee's eligible compensation. The Savings Plan also permits employees to contribute between 1% and 13% of eligible compensation on a pre-tax basis.

The Company has established the Weight Watchers Executive Profit Sharing Plan, which provides a nonqualified profit sharing plan for key management personnel who are not eligible to participate in the Weight Watchers Profit Sharing Plan. This nonqualified profit sharing plan has similar features as the Weight Watchers Profit Sharing Plan.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Company's common stock by (1) all persons known by the Company to own beneficially more than 5% of the Company's common stock, (2) each director who is a stockholder, (3) the President and each of the named executive officers and (4) all directors and executive officers as a group.

NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES OWNED	PERCENT OF CLASS
Artal Luxembourg S.A. (1) 105 Grand-Rue Luxembourg City, Luxembourg L-1661	21,063,200	88.5%
H.J. Heinz Company 600 Grant Street Pittsburgh, Pennsylvania 15219	1,428,000	6.0%
Linda Huett (2)(4)	20,000	*
Thomas S. Kiritsis (3)	20,000	*
Clive Brothers (3)	20,000	*
Robert Mallow (3)	20,000	*
Robert Hollweg (3)	25,000	*
John Dennis (3)	5,000	*
Stephanie Konecoff (3)	20,000	*
Richard Penn (4)	250,000	1.1%
All directors and executive officers as a group	390,000	1.6%

(1) The parent entity of Artal Luxembourg S.A. is Artal Group S.A. ("Artal Group"). The address of Artal Group is the same as the address of Artal Luxembourg.

(2) Executive Officer

(3) The Company's directors and officers may be contacted c/o Weight Watchers International, Inc., 175 Crossways Park West, Woodbury, New York, 11797.

(4) Director

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The summaries of the agreements described below are not complete. You should read the agreements in their entirety, copies of which are available upon request from the Company.

STOCKHOLDERS' AGREEMENT

Simultaneously with the closing of the Transaction, the Company entered into a stockholders' agreement with Artal and Heinz governing the relationship between and among the Company and these holders of its common stock. Subsequent transferees of Artal and Heinz must, subject to certain limited exceptions, agree to be bound by the terms and provisions of the agreement.

The stockholders' agreement imposes on Heinz certain restrictions on the transfer of the Company's common stock until the earlier to occur of (1) the fifth anniversary of the Transaction and (2) its initial public offering of common stock under the Securities Act, subject to certain exceptions. Heinz will have the right to participate pro rata in certain transfers of the Company's common stock by Artal, and Artal will have the right to require Heinz to participate on a pro rata basis on certain transfers of the Company's common stock by Artal.

REGISTRATION RIGHTS AGREEMENT

Simultaneously with the closing of the Transaction, the Company entered into a registration rights agreement with Artal and Heinz. The registration rights agreement grants Artal certain demand rights and grants Artal and Heinz certain incidental registration rights to register their shares of the Company's common stock for public sale under the Securities Act.

PREFERRED STOCKHOLDERS' AGREEMENT

Simultaneously with the closing of the Transaction, the Company entered into a preferred stockholders' agreement with Heinz governing the relationship between and among the Company and the holders of its Series A Preferred Stock. Subsequent transferees of Heinz, subject to certain limited exceptions, must agree to be bound by the terms and provisions of this agreement.

The preferred stockholders' agreement imposes on Heinz certain restrictions on transfer of the Company's Series A Preferred Stock until the second anniversary of the Transaction. In addition, at any time after the second anniversary but prior to the fifth anniversary of the Transaction, the Company, Artal and the Company's respective designees will have a right of first refusal with respect to transfers of the Company's preferred stock by Heinz.

LIMITED LIABILITY COMPANY AGREEMENT

Simultaneously with the closing of the Transaction, the Company contributed $2,500 in exchange for a 50% membership interest in WW Foods, LLC (the "LLC"), a Delaware limited liability company. Heinz owns the remaining 50% interest. The purpose of the LLC is to own, maintain and preserve certain food and beverage trademarks to be contributed to the LLC by Heinz. The LLC serves as the vehicle for licensing certain rights in those food and beverage trademarks to the Company and to Heinz, and for the licensing of program information by the Company to Heinz.

LICENSING AGREEMENTS

The licensing agreements govern the ownership and rights to use Weight Watchers and other trademarks, service marks and related rights among the Company, Heinz and the LLC. As described below, the licensing agreements and the recapitalization and stock purchase agreement address the parties' respective ownership and rights to use food and beverage trademarks, service marks, program standards, program information, program information trademarks and third party licenses. Heinz is also a party to the operating agreement, which will help preserve and enhance these trademarks, service marks and related rights and will facilitate their orderly use by each party.

Food and Beverage Trademarks

Under the licensing agreements and recapitalization and stock purchase agreement, the Company distributed to Heinz and Heinz contributed to the LLC all Weight Watchers trademarks and certain other trademarks the Company owned relating to food and beverage products ("Food & Beverage Trademarks"), except for certain trademarks previously used by Heinz in connection with the Food & Beverage Trademarks that do not include the Weight Watchers name (including, for example, Smart Ones), which the Company distributed to Heinz and Heinz retained (the "Heinz Retained Trademarks"). At the closing of the Transaction, the LLC granted an exclusive, worldwide, royalty-free license to use the Food & Beverage Trademarks (1) to Heinz, for worldwide use on food products in certain defined product categories (including frozen dinners, frozen breakfasts, frozen desserts (excluding ice cream), frozen pizza and pizza snacks, frozen potatoes, frozen rice products, ketchup, tomato sauce, gravy, canned tuna or salmon products, soup, noodles (excluding pasta), and canned beans and pasta products), and for use only in Australia and New Zealand in certain additional food product categories (including mayonnaise, frozen vegetables, canned fruits and canned vegetables) (the "Heinz Licensed Products"); and (2) to us, for use on all other food and beverage products (the "Weight Watchers Licensed Products"). The Company may promote, endorse and sell both Heinz Licensed Products and Weight Watchers

Licensed Products through its classroom business and related activities, subject to certain non-competition provisions with Heinz. Additionally, the Company may continue to sell any food and beverage product (or comparable product) sold by it in a particular country within the year preceding the closing of the Transaction, even if that product is a Heinz Licensed Product, but may do so only within that country and by using the same channels of distribution through which the product was sold during that one-year period.

Certain Food & Beverage Trademarks and trademark applications were not distributed to Heinz for contribution to the LLC. These trademarks and trademark applications include (1) trademarks consisting of registrations in multiple trademark classes, where such classes include both food and beverage product classes and classes relating to other types of products or services ("Multi-Class Registrations"); (2) pending applications that could not be transferred until a registration is granted; (3) trademark registrations and applications in countries that do not recognize ownership of trademarks by an entity such as the LLC; (4) trademark registrations and applications in countries where the local law imposes restrictions or limitations on the ownership or registration of similar trademarks by unrelated parties; and (5) the Program Information Trademarks (as defined below). The Company retained legal ownership of the Food & Beverage Trademarks identified in clauses (1) through (4) above (the "Custodial Trademarks") which are held in custody for the benefit of the LLC.

At the closing of the Transaction, the Company granted to Heinz an exclusive, worldwide, royalty-free license to use the Custodial Trademarks (or any portion covering food and beverage products) in connection with Heinz Licensed Products. The Company has undertaken to contribute any of the Custodial Trademarks (or any portion covering food and beverage products) to the LLC if the LLC determines that the transfer may be achieved under local law. If local law does not permit an existing Multi-Class Registration to be severed so as to reflect separate ownership of registrations in food and beverage product classes from registrations in classes covering other types of products or services, (1) the LLC will apply for new registrations to cover the food and beverage products, (2) the Company will cancel the portion of the Multi-Class Registration covering food and beverage products upon issuance of the new registrations and (3) the Company will retain ownership of all remaining portions of the Multi-Class Registration. Heinz will pay the Company an annual fee of $1.2 million for five years in exchange for the Company's serving as the custodian of the Custodial Trademarks.

Other Marks

The licensing agreements provide that the Company retain exclusive ownership of all service marks and trademarks other than food and beverage trademarks and, except for the rights granted to the LLC and to Heinz, the Company has the exclusive right to use all these marks for any purpose, including their use as trademarks for all products other than food and beverage products.

Program Standards

The licensing agreements and operating agreement provide that the Company has exclusive control of the dietary principles (the "Standards") to be followed in any eating or lifestyle regimen to facilitate weight loss or weight control employed by the classroom business (a "Program"), such as 1-2-3 SUCCESS. Except for certain limitations concerning products currently sold and extensions of existing product lines, Heinz will use the Food & Beverage Trademarks and Custodial Trademarks only on Heinz Licensed Products that have been specially formulated to be compatible with the then-current Program Standards. The Company will have exclusive responsibility for enforcing compliance with the Standards.

Program Information and Program Information Trademarks

The licensing agreements and the recapitalization and stock purchase agreement provide that the Company retain exclusive ownership of all Program Information, consisting of (1) all information and know-how relating to any Program, (2) all terminology and (3) all trademarks or service marks used to identify the programs or terminology ("Program Information Trademarks"). The Company granted an exclusive, worldwide, royalty-free license to the LLC (for sublicense to Heinz) to use the terminology and Program Information Trademarks on Heinz Licensed Products, and the Company provided the LLC (and through the LLC, Heinz) with access to and a right to use this information as may be reasonably necessary to develop, manufacture or market food and beverage products in accordance with the Standards. Heinz granted a worldwide, royalty-free license to the LLC to use certain improvements that Heinz may develop in the course of its use of Program Information, which the LLC sublicensed in turn to the Company.

Third Party Licenses

Under the licensing agreements the Company assigned to Heinz all licenses that the Company previously granted to third parties, and Heinz retained all existing sublicenses granted by it to third parties under a license previously granted to Heinz, that relate to the manufacture, distribution or sale of food and beverage products ("Third Party Licenses"). Heinz assumed the Company's obligations under the Third Party Licenses, and has the right to collect and keep all proceeds from the Third Party Licenses for a period of five years. Ownership of the Third Party Licenses, to the extent they pertain to Weight Watchers Licensed Products, will be transitioned to the Company over the five-year period. All proceeds from any Third Party License that cannot be transitioned to the Company by the end of that five-year period will thereafter be collected by Heinz and paid over to the Company. Any sublicense granted after the closing date of the Transactions by Heinz or the Company relating to use of the Food & Beverage Trademarks must conform to the terms of the licenses granted to each Heinz and the Company by the LLC.

MANAGEMENT AGREEMENT

Simultaneously with the closing of the Transaction, the Company entered into a management agreement with the Invus Group, LTD, an independent investment arm of Artal, pursuant to which Invus renders to the Company management, consulting and certain other services in exchange for an annual fee equal to the greater of $1.0 million or 1.0% of the Company's EBITDA (as defined in the indentures), plus any related out-of-pocket expenses.

WEIGHTWATCHERS.COM SUBSCRIPTION AGREEMENT

On September 29, 1999, the Company entered into a subscription agreement with WeightWatchers.com, Artal and Heinz under which Artal, Heinz and the Company purchased common stock of WeightWatchers.com for a nominal amount. As of December 30, 2000, the Company owns approximately 35% of WeightWatchers.com's common stock while Artal and Heinz own 60.2% and 4.8%, respectively.

WEIGHTWATCHERS.COM NOTE

On October 1, 2000, the Company amended its loan agreement with WeightWatchers.com increasing the aggregate principal amount from $10.0 million to $23.5 million. On that date, the unpaid principal and accumulated interest was rolled over into the new loan. The principal amount may be advanced at any time or from time to time prior to July 31, 2003. The note bears interest at 13% per year. All principal and interest outstanding under the note will be payable on September 30, 2003. The note may be prepaid at any time in whole or in part, without premium or penalty. Pursuant to the note, the

Company has advanced WeightWatchers.com $14.8 million during the eight month period ended December 30, 2000 and $2.0 million during the fiscal year ended April 29, 2000.As of December 30,2000 $16.8 million of principal and $.8 million of interest was charged to other expenses.

WEIGHTWATCHERS.COM WARRANT AGREEMENT

Under a warrant agreement dated November 24, 1999 entered into between WeightWatchers.com and the Company, the Company has received warrants to purchase an additional 20.2% of WeightWatchers.com's common stock in connection with the loans that the Company has made to WeightWatchers.com under the Weight Watchers.com note described above. These warrants will expire on November 24, 2009 and may be exercised at a price of $7.14 per share of WeightWatchers.com's common stock until then. The exercise price and the number of shares of WeightWatchers.com's common stock available for purchase upon exercise of the warrants may be adjusted from time to time upon the occurrence of certain events.

Under a warrant agreement dated October 1, 2000 entered into between WeightWatchers.com and the Company, the Company has received warrants to purchase an additional 5.26% of WeightWatchers.com's common stock in connection with the loans that the Company has made to WeightWatchers.com under the WeightWatchers.com note described above. These warrants will expire on October 1, 2010 and may be exercised at a price of $7.14 per share of WeightWatchers.com's common stock until then. The exercise price and the number shares of WeightWatchers.com's common stock available for purchase upon exercise of the warrants may be adjusted from time to time upon the occurrence of certain events.

WEIGHTWATCHERS.COM INTERNET LICENSE AGREEMENT

The Company and WeightWatchers.com entered into an Intellectual Property License Agreement dated September 29, 1999, pursuant to which the Company granted WeightWatchers.com an exclusive license to use all of the Company's trademarks, copyrights and domain names on the Internet and any other similar or related forms of electronic delivery or digital transmission (other than broadband technology) that now exist or may be developed later. On October 1, 2000, the Company and WeightWatchers.com entered into a Modification of Intellectual Property License Agreement, which among other things, now requires WeightWatchers.com to pay the Company 10% of its revenues related to its Internet activities.

WEIGHTWATCHERS.COM STOCKHOLDERS' AGREEMENT

The Company entered into a stockholders' agreement with WeightWatchers.com, Artal and Heinz governing the relationship between and among WeightWatchers.com and Artal, Heinz and the Company as holders of common stock of WeightWatchers.com. Subsequent transferees of Artal, Heinz and the Company must, except for some limited exceptions, agree to be bound by the terms and provisions of the agreement.

The stockholders' agreement imposes on Heinz and the Company certain restrictions on the transfer of common stock of WeightWatchers.com until the earlier to occur of (1) the fifth anniversary of the Transaction and (2) WeightWatchers.com's initial public offering of common stock under the Securities Act, except for certain exceptions. Heinz and the Company have the right to participate pro rata in certain transfers of common stock of WeightWatchers.com by Artal, and Artal has the right to require Heinz and the Company to participate on a pro rata basis in certain transfers of WeightWatchers.com's common stock by Artal.

WEIGHTWATCHERS.COM REGISTRATION RIGHTS AGREEMENT

The Company entered into a registration rights agreement with WeightWatchers.com, Artal and Heinz with respect to its shares in WeightWatchers.com. The registration rights agreement grants Artal certain demand rights and also grants Artal, Heinz and the Company certain incidental registration rights to register shares of WeightWatchers.com's common stock for public sale under the Securities Act.

NELLSON CO-PACK AGREEMENT

On November 30, 1999, the Company entered into an agreement with Nellson Neutraceutical, Inc., a subsidiary of Artal, to purchase nutrition bar products manufactured by Nellson for sale at the Company's meetings. Under the agreement, Nellson agrees to produce sufficient nutrition bar products to fill the Company's purchase orders within 30 days of Nellson's receipt of these purchase orders, and the Company is not bound to purchase a minimum quantity of nutrition bar products. The term of the agreement is two years, and the Company may renew the agreement for successive one-year periods by providing written notice to Nellson.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE, AND REPORT ON FORM 8-K.

(a) 1. Financial Statements

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

2. Financial Statement Schedule

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

3. Exhibits

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

4. Reports on Form 8-K

During the last fiscal quarter of the period covered by this Report, the Company filed a Current Report on Form 8-K dated December 21, 2000 relating to the change in the Company's fiscal year end period.

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE COVERED BY REPORT OF INDEPENDENT ACCOUNTANTS
ITEMS 14(a) 1&2

	PAGES
Consolidated Balance Sheets as of December 30, 2000, April 29, 2000 and April 24, 1999	F-2
Consolidated Statements of Operations for the eight month period ended December 30, 2000, and for the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998	F-3
Consolidated Statements of Changes in Stockholders' Deficit, Parent Company Investment and Comprehensive Income for the eight month period ended December 30, 2000, and for the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998	F-4
Consolidated Statements of Cash Flows for the eight month period ended December 30, 2000, and for the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998	F-5
Notes to Consolidated Financial Statements	F-6-37
Report of Independent Accountants	F-38
Schedule II - Valuation and Qualifying Accounts and Reserves for the eight month period ended December 30, 2000, and the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998.	F-39

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 30, 2000, APRIL 29, 2000

AND APRIL 24, 1999
(IN THOUSANDS)

ASSETS	December 30, 2000	April 29, 2000	April 24, 1999
CURRENT ASSETS			
Cash and cash equivalents	$ 44,501	$ 44,043	$ 19,515
Receivables (net of allowances: December 30, 2000 - $797; April 29, 2000 - $609; April 24, 1999 - $994)	14,678	12,877	11,403
Notes receivable, current	2,106	2,791	3,266
Foreign currency contract receivable	5,364	--	--
Inventories	15,044	9,328	7,580
Prepaid expenses	11,099	8,360	7,598
Deferred income taxes	648	94	3,609
Due from related parties	--	--	133,783
TOTAL CURRENT ASSETS	93,440	77,493	186,754
Property and equipment, net	8,145	7,001	8,725
Notes and other receivables, noncurrent	5,601	7,045	19,165
Goodwill (net of accumulated amortization: December 30, 2000 - $59,216; April 29, 2000 - $55,430; April 24, 1999 - $49,888)	150,901	152,565	143,714
Trademarks and other intangible assets (net of accumulated amortization: December 30, 2000 - $19,871; April 29, 2000 - $19,423; April 24, 1999 - $18,982)	6,648	7,163	8,113
Deferred income taxes	67,207	67,574	4,133
Deferred financing costs	13,513	14,666	--
Other noncurrent assets	762	700	830
TOTAL ASSETS	$ 346,217	$ 334,207	$371,434
LIABILITIES, REDEEMABLE PREFERRED STOCK AND PARENT COMPANY'S INVESTMENT/ STOCKHOLDERS' DEFICIT			
CURRENT LIABILITIES			
Short-term borrowings and line of credit	$ --	$ --	$ 6,690
Short-term borrowings due to related party	1,730	1,489	16,250
Portion of long-term debt due within one year	14,120	14,120	1,164
Accounts payable	11,989	12,362	12,710
Salaries and wages	10,544	10,125	11,285
Accrued interest	9,662	4,082	2,176
Accrued restructuring costs	2,485	4,786	7,690
Foreign currency contract payable	--	486	7,169
Other accrued liabilities	23,215	19,583	16,044
Income taxes	3,660	6,786	7,962
Deferred revenue	5,836	4,632	6,414
TOTAL CURRENT LIABILITIES	83,241	78,451	95,554
Long-term debt	456,530	460,510	15,500
Deferred income taxes	3,107	2,941	8,228
Other	121	546	3,204
TOTAL LONG-TERM DEBT AND OTHER LIABILITIES	459,758	463,997	26,932
Commitments and contingencies			
Redeemable preferred stock	25,996	25,875	--
Stockholders' deficit			
Common stock, par value $0 per share, 23,800 shares authorized, issued and outstanding			
Accumulated deficit	(216,507)	(231,663)	--
Accumulated other comprehensive loss	(6,271)	(2,453)	--
Parent company's investment	--	--	248,948
TOTAL PARENT COMPANY'S INVESTMENT AND STOCKHOLDERS' DEFICIT	(222,778)	(234,116)	248,948
TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK, PARENT COMPANY'S INVESTMENT AND STOCKHOLDERS' DEFICIT	$ 346,217	$ 334,207	$371,434

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE EIGHT MONTH PERIOD ENDED DECEMBER 30, 2000, AND
THE FISCAL YEARS ENDED APRIL 29, 2000, APRIL 24, 1999 AND APRIL 25, 1998
(IN THOUSANDS)

	December 30, 2000 (35 Weeks)	April 29, 2000 (53 Weeks)	April 24, 1999 (52 Weeks)	April 25, 1998 (52 Weeks)
Revenues, net	$273,175	$ 399,574	$364,608	$297,245
Cost of revenues	139,283	201,389	178,925	159,961
Gross profit	133,892	198,185	185,683	137,284
Marketing expenses	26,986	51,453	52,856	49,227
Selling, general and administrative expenses	32,222	50,743	48,912	44,067
Transaction costs	--	8,345	--	--
Operating income	74,684	87,644	83,915	43,990
Interest income	3,119	5,792	16,027	13,452
Interest expense	40,244	36,871	8,859	8,576
Other expense (income), net	16,536	(10,351)	5,248	4,281
Income before income taxes and minority interest	21,023	66,916	85,835	44,585
Provision for income taxes	5,857	28,323	36,360	19,969
Income before minority interest	15,166	38,593	49,475	24,616
Minority interest	147	834	1,493	845
Net income	$ 15,019	$ 37,759	$ 47,982	$ 23,771

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT, PARENT COMPANY INVESTMENT AND COMPREHENSIVE INCOME
FOR THE EIGHT MONTH PERIOD ENDED DECEMBER 30, 2000, AND THE FISCAL YEARS ENDED APRIL 29, 2000, APRIL 24, 1999 AND APRIL 25, 1998
(IN THOUSANDS)

	Common Stock		Additional Paid In	Accumulated Other Comprehensive	Accumulated	Parent Company's	
	Shares	Amount	Capital	Loss	Deficit	Investment	Total
Balance April 26, 1997						$ 188,936	$ 188,936
Comprehensive Income:							
Net income						23,771	23,771
Translation adjustment						(10,212)	(10,212)
Total Comprehensive Income							13,559
Net Parent advances						29,115	29,115
Dividend						(2,521)	(2,521)
Balance at April 25, 1998						229,089	229,089
Comprehensive Income:							
Net income						47,982	47,982
Translation adjustment						19,660	19,660
Total Comprehensive Income							67,642
Net Parent settlements						(42,851)	(42,851)
Dividend						(4,932)	(4,932)
Balance at April 24, 1999						248,948	248,948
Net Parent settlements						(252,883)	(252,883)
Recapitalization and settlement of Parent company investment	23,800	--	(72,100)	(12,764)	(268,547)	3,935	(349,476)
Deferred tax asset			72,100				72,100
Comprehensive Income:							
Net income					37,759		37,759
Translation adjustment				10,311			10,311
Total Comprehensive Income							48,070
Preferred stock dividend					(875)		(875)
Balance at April 29, 2000	23,800			(2,453)	(231,663)		(234,116)
Elimination of foreign subsidiaries one month reporting lag effective April 30, 2000					1,137		1,137
Comprehensive Income:							
Net income					15,019		15,019
Translation adjustment				(3,818)			(3,818)
Total Comprehensive Income							11,201
Preferred stock dividend					(1,000)		(1,000)
Balance at December 30, 2000	23,800	$ --	$ --	$ (6,271)	$ (216,507)	$ --	$ (222,778)

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE EIGHT MONTH PERIOD ENDED DECEMBER 30, 2000, AND
THE FISCAL YEARS ENDED APRIL 29, 2000, APRIL 24, 1999 AND APRIL 25, 1998
(IN THOUSANDS)

	December 30, 2000 (35 Weeks)	April 29, 2000 (53 Weeks)	April 24, 1999 (52 Weeks)	April 25, 1998 (52 Weeks)
Operating activities:				
Net income	$ 15,019	$ 37,759	$ 47,982	$ 23,771
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization	7,889	10,398	9,586	8,775
Deferred tax (benefit) provision	104	8,541	9,279	15,563
Accounting for equity investment	17,604	--	--	--
Elimination of foreign subsidiaries one month reporting lag	1,206	--	--	--
Allowance for doubtful accounts	(188)	385	(118)	(143)
Reserve for inventory obsolescence, other	(975)	(121)	2,525	(3,489)
Other items, net	(954)	(2,492)	38	415
Changes in cash due to:				
Receivables	(8,210)	12,654	(7,041)	(2,348)
Inventories	(4,771)	(1,696)	(2,451)	664
Prepaid expenses	(2,755)	(801)	(1,454)	1,913
Due from related parties	241	(14,765)	3,693	(8,610)
Accounts payable	(303)	(1,512)	3,083	(2,250)
Accrued liabilities	6,897	5,780	(10,076)	(414)
Deferred revenue	1,043	(1,753)	(716)	1,872
Income taxes	(2,975)	(2,492)	3,571	647
Cash provided by operating activities	28,872	49,885	57,901	36,366
Investing activities:				
Capital expenditures	(3,626)	(1,874)	(2,474)	(3,389)
Advances and interest to equity investment	(15,604)	--	--	
Acquisitions, net of cash acquired	--	--	--	(1,412)
Acquisitions of minority interest	(2,400)	(15,900)	--	--
Other items, net	3	(1,867)	(565)	(121)
Cash used for investing activities	(21,627)	(19,641)	(3,039)	(4,922)
Financing activities:				
Net (decrease) increase in short-term borrowings	(34)	(5,455)	856	(2,174)
Proceeds from borrowings	--	491,260	--	--
Repurchase of common stock	--	(324,476)	--	--
Payment of dividends	(879)	(2,796)	(10,368)	(8,470)
Payments on long-term debt	(7,060)	(3,530)	(1,081)	(1,368)
Deferred financing cost	--	(15,861)	--	--
Net Parent settlements	--	(131,030)	(37,076)	(18,630)
Cash (used for) provided by financing activities	(7,973)	8,112	(47,669)	(30,642)
Effect of exchange rate changes on cash and cash equivalents	1,186	(13,828)	493	(44)
Net increase in cash and cash equivalents	458	24,528	7,686	758
Cash and cash equivalents, beginning of period/fiscal year	44,043	19,515	11,829	11,071
Cash and cash equivalents, end of period/fiscal year	$ 44,501	$ 44,043	$ 19,515	$ 11,829

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

1. BASIS OF PRESENTATION:

Weight Watchers International, Inc. (the "Company") operates and franchises territories offering weight loss and control programs through the operation of classroom type meetings to the general public in the United States, Canada, Mexico, the United Kingdom, Continental Europe, Australia, New Zealand, South Africa, Latin America and South America.

Recapitalization

On September 29, 1999, the Company effected a recapitalization and stock purchase agreement (the "Transaction") with its former parent, H.J. Heinz Company ("Heinz"). The Company redeemed shares of common stock from Heinz for $349.5 million. The $349.5 million consisted of $324.5 million of cash and $25.0 million of the Company's redeemable Series A Preferred Stock. After the redemption, Artal Luxembourg S.A. purchased 94% of the Company's remaining common stock from Heinz for $223.7 million. The recapitalization and stock purchase was financed through borrowings under credit facilities amounting to approximately $237.0 million and by issuing Senior Subordinated Notes amounting to $255.0 million, due 2009. The balance of the borrowings was utilized to refinance debt incurred prior to the Transaction relating to the transfer of ownership and acquisition of the minority interest in the Weight Watchers businesses that operate in Australia and New Zealand. The acquisition of the minority interest resulted in approximately $15.9 million of goodwill. In connection with the Transaction, the Company incurred approximately $8.3 million in transaction costs which were expensed and $15.9 million in deferred financing costs. For U.S. Federal and State tax purposes, the Transaction is being treated as a taxable sale under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended. As a result, for tax purposes, the Company will record a step-up in the tax basis of net assets. For financial reporting purposes, a valuation allowance of approximately $72.1 million was established against the corresponding deferred tax asset of $144.2 million . Management concluded, more likely than not, this amount would not be utilized to reduce future tax payments. The Company will continue to monitor the need to maintain the valuation allowance in the future periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Change in Fiscal Year:

The Company changed its fiscal year from the last Saturday of April, to the Saturday closest to December 31st effective with the eight month period commencing April 30, 2000.

Consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. In order to facilitate timely reporting in prior periods, certain foreign subsidiaries ended their fiscal years one month prior to the Company's fiscal year end with no material impact on the consolidated financial statements. The one month lag has now been eliminated effective April 30, 2000. The effect on net income of these subsidiaries for the period March 31, 2000 through April 29, 2000 was $1.1 million and was adjusted to opening accumulated deficit at April 30, 2000.

Use of Estimates:

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Translation of Foreign Currencies:

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

Cash Equivalents:

Cash and cash equivalents are defined as highly liquid investments with original maturities of three months or less.

Inventories:

Inventories, which consist of finished goods, are stated at the lower of cost or market on a first-in, first-out basis, net of reserves. The net reserve for inventory and prepaid program materials as of December 30, 2000, April 29, 2000 and April 24, 1999 was $2.5 million, $1.6 million and $1.4 million, respectively.

Property and Equipment:

Property and equipment are recorded at cost. For financial reporting purposes, equipment is depreciated on the straight-line method over the estimated useful lives of the assets (5 to 10 years). Leasehold improvements are amortized on the straight-line method over the shorter of the term of the lease or the useful life of the related assets (5 to 10 years). Expenditures for new facilities and improvements that substantially extend the useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any related gains or losses are included in income.

Intangibles:

Goodwill, trademarks and other intangibles arising from acquisitions, including the acquisition of previously franchised areas, are being amortized on a straight-line basis over periods ranging from 3 to 40 years. Amortization of goodwill, trademarks and other intangibles for the eight month period ended December 30, 2000 and for the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998 was $4.5 million, $6.4 million, $6.0 million and $5.6 million, respectively.

The Company accounts for software costs under the AICPA Statement of Position ("SOP") No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". SOP No. 98-1 requires capitalization of certain costs incurred in connection with developing or obtaining internally used software. Software costs are amortized over 3 to 5 years.

Impairment of Long Lived Assets:

The Company follows the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of." This statement requires that certain assets be reviewed for impairment and, if impaired, remeasured at fair value whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Revenue Recognition:

The Company earns revenue by conducting meetings, selling products and aids in its own facilities, by collecting commissions from franchisees operating under the Weight Watchers name and by collecting royalties related to licensing agreements. Revenue is recognized when registration fees are paid, services are rendered, products are sold and commissions and royalties are earned. Deferred revenue, consisting of prepaid lecture income, is amortized into income over the period earned. Effective April 30, 2000, the Company adopted Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements", which does not change existing revenue recognition rules, but rather, addresses and clarifies existing rules and their application. Adoption of SAB 101 did not impact the Company's financial position or results of operations.

Advertising Costs:

Advertising costs consist primarily of national and local direct mail, television, and spokesperson's fees. All costs related to advertising are expensed in the period incurred. Total advertising expenses for the eight month period ended December 30, 2000 and for the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998 were approximately $25.8 million, $48.0 million, $48.8 million, and $45.7 million, respectively.

Income Taxes:

The Company provides for taxes based on current taxable income and the future tax consequences of temporary differences between the financial reporting and income tax carrying values of its assets and liabilities. Under SFAS No. 109, assets and liabilities acquired in purchase business combinations are assigned their fair values and deferred taxes are provided for lower or higher tax bases.

Foreign Currency Contracts:

The Company enters into forward and swap contracts to hedge transactions denominated in foreign currencies in order to reduce the currency risk associated with fluctuating exchange rates. Such contracts are used primarily to hedge certain intercompany cash flows and for payments arising from certain foreign currency denominated obligations. Realized and unrealized gains and losses from instruments qualifying as hedges are included in net income for the period.

Investments:

The Company uses the cost method to account for investments in which the Company holds 20% or less of the investee's voting stock. Where the Company holds 50% or less of the investee's voting stock or where the Company has the ability to exercise significant influence over operating and financial policies of the investee, the investment is accounted for under the equity method.

Deferred Financing Costs:

Deferred financing costs consists of costs associated with the establishment of the Company's credit facilities resulting from the Transaction. Such costs are being amortized using the interest rate method over the term of the related debt. Amortization expense for the eight month period ended December 30, 2000 and for the fiscal year ended April 29, 2000 was approximately $1.3 million and $1.1 million, respectively.

Recently Issued Accounting Standards:

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement established accounting and reporting standards for derivative instruments. The statement requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative instruments and Hedging Activities-Deferral of the Effective Date of Statement 133," which postponed the adoption date of SFAS No. 133. As such, the Company is required to adopt the statement effective January 1, 2001. Management has not yet determined the impact adoption will have on the Company's financial position or results of operations.

Reclassification:

Certain amounts for the fiscal years ended April 21, 2000, April 24, 1999 and April 25, 1998 have been reclassified to conform to the eight month period ended December 30, 2000 presentation.

3. TRANSITION PERIOD COMPARATIVE DATA:

The following table presents certain financial information for the eight month periods ended December 30, 2000 and December 18, 1999.

	Eight Month Periods Ended	
	December 2000 (35 Weeks)	December 1999 (34 Weeks)
		(Unaudited)
Revenues, net	$273,175	$236,974
Gross profit	$133,892	$114,592
Income before income taxes and minority interest	$ 21,023	$ 39,020
Provision for income taxes	$ 5,857	$ 15,150
Income before minority interest	$ 15,166	$ 23,870
Minority Interest	$ 147	$ 694
Net Income	$ 15,019	$ 23,176

4. REDEEMABLE PREFERRED STOCK:

The Company issued one million shares of Series A Preferred Stock in conjunction with the Transaction. Holders of the Series A Preferred Stock are entitled to receive dividends at an annual rate of 6% payable annually in arrears. The liquidation preference of the Series A Preferred Stock is $25 per share. If there is a liquidation, dissolution or winding up, the holders of shares of Series A Preferred Stock are entitled to be paid out of the Company assets available for distribution to shareholders an amount in cash equal to the $25 liquidation preference per share plus all accrued and unpaid dividends prior to the distribution of any assets to holders of shares of common stock.

Except as required by law, the holders of the preferred stock have no voting rights with respect to their shares of preferred stock, except that (1) the approval of holders of a majority of the outstanding shares of preferred stock, voting as a class, is required to amend, repeal or change any of the provisions of the Company's certificate of incorporation in any manner that would alter or change the powers, preferences or special rights of the shares of preferred stock in a way that would affect them adversely and (2) the consent of each holder of Series A Preferred Stock is required for any amendment that reduces the dividend payable on or the liquidation value of the Series A Preferred Stock.

At the Company's option, the Company may redeem the Series A Preferred Stock, in whole or in part, at any time, at a price per share equal to 100% of its liquidation value plus all accrued and unpaid dividends.

In addition, the Series A Preferred Stock is redeemable at the option of its holders upon the occurrence of a change of control or upon a sale of the Company's common stock by Artal in a registered public offering. If that occurs, the redemption price will be equal to 100% of the liquidation value plus accrued and unpaid dividends.

5. LONG-TERM DEBT:

	December 30, 2000		April 29, 2000		April 24, 1999	
	Balance	Effective rate	Balance	Effective rate	Balance	Effective rate
EURO 100.0 million 13% Senior Subordinated Notes due 2009	$ 94,240	13.00%	$ 91,160	13.00%	$ --	
US $150.0 million 13% Senior Subordinated Notes due 2009	150,000	13.00%	150,000	13.00%	--	
Term A Loan due 2005	65,625	9.81%	71,875	9.22%	--	
Term B Loan due 2006	74,438	10.95%	74,813	10.04%	--	
Transferable Loan Certificate due 2006	86,347	10.95%	86,782	10.04%	--	
Promissory Notes	--		--		16,664	7 - 10%
	470,650		474,630		16,664	
Less Current Portion	14,120		14,120		1,164	
	$456,530		$460,510		$ 15,500	

In connection with the Transaction, the Company entered into a credit facility ("Credit Facility") with the Bank of Nova Scotia, Credit Suisse First Boston and certain other lenders providing (i) a $75.0 million term loan A facility ("Term Loan A"), (ii) a $75.0 million term loan B facility ("Term Loan B"), (iii) an $87.0 million transferable loan certificate ("TLC") and (iv) a revolving credit facility with

borrowings up to $30.0 million ("Revolving Credit Facility"). Borrowings under the Credit Facility are paid quarterly and initially bear interest at a rate equal to LIBOR plus (a) in the case of Term Loan A and the Revolving Credit Facility, 3.25% or, at the Company's option, the alternate base rate, as defined, plus 2.25% or (b) in the case of Term Loan B and the TLC, 4.00% or, at the Company's option, the alternate base rate plus 3.00%. At December 30, 2000, the interest rates were 9.6% for Term Loan A and 10.7% for Term Loan B and the TLC. All assets of the Company collateralize the Credit Facility.

The facility was amended on January 16, 2001 to provide for an additional $60 million in borrowings in connection with the acquisition (see Note 19) of certain Weight Watchers International, Inc. franchised territories.

In addition, the Company issued $150.0 million USD denominated and 100.0 million EUR denominated principal amount 13% Senior Subordinated Notes due 2009 (the "Notes") to qualified institutional buyers. At December 30, 2000, the 100.0 million EUR notes translated into $94.2 million USD denominated equivalent. The impact of the change in foreign exchange rates related to euro denominated debt are reflected in the income statement. Interest is payable on the Notes semi-annually on April 1 and October 1 of each year, commencing April 1, 2000. The Company uses interest rate swaps and foreign currency forward contracts in association with its debt (see Note 17). The Notes are uncollateralized senior subordinated obligations of the Company, subordinated in right of payment to all existing and future senior indebtedness of the Company, including the Credit Facility. The notes are guaranteed by certain subsidiaries of the Company.

The credit facilities contain a number of covenants that, among other things, restrict the Company's ability to dispose of assets, incur additional indebtedness, or engage in certain transactions with affiliates and otherwise restrict the Company's corporate activities. In addition, under the credit facilities, the Company is required to comply with specified financial ratios and tests, including minimum fixed charge coverage and interest coverage ratios and maximum leverage ratios.

The aggregate amounts of existing long-term debt maturing in each of the next five years and thereafter are as follows:

2001	$ 14,120
2002	14,120
2003	14,120
2004	14,120
2005	17,245
2006 and thereafter	396,925
	$ 470,650

Effective with the Transaction on September 29, 1999, outstanding lines of credit were $6.7 million and promissory notes of $16.7 million have been settled. The lines of credit had a weighted-average interest rate of 5.32% during 1999. The promissory notes represent amounts due various former franchisees as a result of the Company acquiring certain franchised operations.

The Company has guaranteed Term Loans and Letters of Credit of franchisees that originated as part of a franchisees' acquisition of certain franchised areas. The balance of the guaranteed indebtedness was $15.5 million as of April 24, 1999. No such guarantee continues as of December 30, 2000.

6. STOCK PLANS:

Weight Watchers Incentive Compensation Plans

On December 16, 1999, the Board of Directors adopted the 1999 Stock Purchase and Option Plan of Weight Watchers International, Inc. and Subsidiaries (the "Plan"). The Plan is designed to promote the long-term financial interests and growth of the Company and its subsidiaries by attracting and retaining management with the ability to contribute to the success of the business. The Plan is to be administered by the Board of Directors or a committee thereof.

Under the stock purchase component of the plan discussed above, 338,800 shares of common stock were sold to 44 members of the Company's management group at $10 per share.

Under the option component of the Plan, grants may take the following forms in the committee's sole discretion: Incentive Stock Options, Other Stock Options (other than incentive options), Stock Appreciation Rights, Restricted Stock, Purchase Stock, Dividend Equivalent Rights, Performance Units, Performance Shares and Other Stock - Based Grants. The maximum number shares available for grant under this plan shall be 1,200,000 shares of authorized common stock as of the effective date of the Plan.

Pursuant to the option component of the Plan, the Board of Directors authorized the Company to enter into agreements under which certain members of management received Non-Qualified Time and Performance Stock Options providing them the opportunity to purchase shares of the Company's common stock at an exercise price of $10 per share. The options are exercisable based on the terms outlined in the agreement.

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants for the eight month period ended December 30, 2000 and for the fiscal year ended April 29, 2000: dividend yield of 0 %; expected volatility of risk was 0 %; risk free interest rate ranging from 5.91% to 6.65%; and expected life of 10 years. The exercise price was equivalent to the fair market value at the date of grant. A summary of the Company's stock option activity is as follows:

	December 30, 2000		April 29, 2000	
	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Options outstanding, Beginning of year	1,048,500	$ 10.00	--	
Granted	105,000	$ 10.00	1,048,500	$ 10.00
Exercised	--		--	
Cancelled	27,000	$ 10.00	--	
Options outstanding, end of year	1,126,500	$ 10.00	1,048,500	$ 10.00
Options exercisable, end of year	280,625	$ 10.00	34,950	$ 10.00
Options available for grant, end of year	73,500	$ 10.00	151,500	$ 10.00
Weighted-average fair value of options granted during the year		$ 4.61	--	$ 4.84

The weighted average remaining contractual life of options outstanding at December 30, 2000 was 8.9 years.

WeightWatchers.com Stock Incentive Plan of Weight Watchers International, Inc. and Subsidiaries

In April 2000, the Board of Directors adopted the WeightWatchers.com Stock Incentive Plan of Weight Watchers International, Inc. and Subsidiaries, pursuant to which selected employees were granted options to purchase shares of common stock of WeightWatchers.com, Inc. that are owned by the Company. The number of shares available for grant under this plan is 400,000 shares of authorized common stock of WeightWatchers.com, Inc. All options vest over a period of time, however, vesting of certain options may be accelerated if the Company achieves specified performance levels.

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants for the eight month period ended December 30, 2000 and for the fiscal year ended April 29,2000: dividend yield of 0 %; expected volatility of risk was 0 %; risk free interest rate ranging from 5.91% to 6.49%; and expected life of ten years. A summary of the Company's stock option activity is as follows:

	December 30, 2000		April 29, 2000	
	Number of Shares	Weighted average exercise price	Number of Shares	Weighted average exercise price
Options outstanding,				
Beginning of year	147,319	$ 0.50	--	
Granted	14,231	$ 0.50	147,319	$ 0.50
Exercised	--		--	
Cancelled	--		--	
Options outstanding, end of year	161,550	$ 0.50	147,319	$ 0.50
Options exercisable, end of year	45,022	$ 0.50	--	$ 0.50
Options available for grant, end of year	238,450	$ 0.50	252,681	$ 0.50
Weighted-average fair value of options granted during the year		$ 0.23	--	$ 0.16

The weighted average remaining contractual life of options outstanding at December 30, 2000 was 9.3 years.

The pro forma effect of SFAS No. 123 on the Company's financial statements would have been as follows under the 1999 Stock Purchase and Option Plan of Weight Watchers International, Inc. and Subsidiaries and the WeightWatchers.com Stock Incentive Plan of Weight Watchers International, Inc. and Subsidiaries.

	DECEMBER 30, 2000	APRIL 29, 2000
Net Income:		
As reported	$ 15,019	$ 37,759
Pro forma	$ 14,984	$ 37,170

Heinz Incentive Compensation Plans - Prior to the Transaction

Certain qualifying employees of the Company were granted options to purchase Heinz common stock under Heinz's stock option plans. These options under the Plan have been granted at not less than market prices on the date of grant. Stock options granted have a maximum term of ten years. Vesting occurs from one to three years after the date of grant. Beginning in fiscal 1998, in order to place greater emphasis on creation of shareholder value, performance-accelerated stock options were granted to certain key executives. These options vest eight years after the grant date, subject to acceleration if predetermined share price goals are achieved.

The pro forma effect of SFAS No. 123 on the Company's financial statements would have been as follows:

	APRIL 24, 1999	APRIL 25, 1998
Net Income:		
As reported	$47,982	$23,771
Pro forma	47,621	23,485

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model with the following weight-average assumptions:

	APRIL 24, 1999	APRIL 25, 1998
Dividend yield	2.5%	2.5%
Volatility	22.0	20.0
Risk-free interest rate	5.1	6.2
Expected term (years)	5.0	5.0

7. EMPLOYEE BENEFIT PLANS:

Weight Watchers Sponsored Plans:

Effective September 29, 1999, the net assets of the Heinz sponsored employee savings plan were transferred to the Weight Watchers sponsored plan upon execution of the Transaction. The Company sponsors the Weight Watchers Savings Plan (the "Savings Plan") for salaried and hourly employees. The Savings Plan is a defined contribution plan which provides for employer matching contributions up to

100% of the first 3% of an employee's eligible compensation. The Savings Plan also permits employees to contribute between 1% and 13% of eligible compensation on a pre-tax basis. Company contributions for the eight month period ended December 30, 2000 and the fiscal year ended April 29, 2000 were $.5 million and $1.0 million, respectively.

The Company sponsors the Weight Watchers Profit Sharing Plan (the "Profit Sharing Plan") for all full-time salaried employees who are eligible to participate in the Savings Plan (except for certain senior management personnel). The Profit Sharing Plan provides for a guaranteed monthly employer contribution on behalf of each participant based on the participant's age and a percentage of the participant's eligible compensation. The Profit Sharing Plan has a supplemental employer contribution component, based on the Company's achievement of certain annual performance targets, which are determined annually by the Company's Board of Directors. The Company also reserves the right to make additional discretionary contributions to the Profit Sharing Plan.

For certain senior management personnel, the Company sponsors the Weight Watchers Executive Profit Sharing Plan. Under the Internal Revenue Service ("IRS") definition this plan is considered a Nonqualified Deferred Compensation Plan. There is a promise of payment by the Company made on the employees' behalf instead of an individual account with a cash balance. The account is valued at the end of each fiscal month, based on an annualized interest rate of prime plus 2%, with an annualized cap of 15%.

The Company is currently applying for a determination letter to qualify the Savings Plan under Section 401(a) of the IRS Code. It is the Company's opinion, that the IRS will issue a favorable determination letter as to the qualified status of the Savings Plan.

Heinz Sponsored Plans - Prior to the Transaction:

Domestic employees participate in certain defined pension plans, a defined contribution 401(k) savings plan and, for employees affected by certain IRS limits, a section 415 Excess Plan, all of which are sponsored by Heinz. The Company also provides post-retirement health care and life insurance benefits for employees who meet the eligibility requirements of the Heinz plans. Retirees share in the cost of these benefits based on age and years of service.

Company contributions to the Heinz Savings Plan include a qualified age-related contribution and a matching of the employee's contribution, up to a specified amount.

The following amounts were included in the Company's result of operations:

	APRIL 29, 2000	APRIL 24, 1999	APRIL 25, 1998
		(THOUSANDS)	
Defined Benefit Pension Plans	$ 421	$1,456	$ 726
Defined Benefit Postretirement Medical	$ 253	$ 577	$ 261
Savings Plan	$ 994	$2,170	$1,668

In addition, foreign employees participate in certain Company sponsored pension plans and such charges, which are included in the results of operations, are not material.

8. WEIGHTWATCHERS.COM WARRANT AND NOTE AGREEMENT:

On September 29, 1999, the Company entered into a subscription agreement with WeightWatchers.com, Artal and Heinz under which Artal, Heinz and the Company purchased common stock of WeightWatchers.com for a nominal amount. The Company owns approximately 35% of WeightWatchers.com's common stock while Artal and Heinz own 60.2% and 4.8%, respectively, of WeightWatchers.com's common stock.

Under a warrant agreement dated November 24, 1999 entered into between WeightWatchers.com and the Company, the Company has received warrants to purchase an additional 20.2% of WeightWatchers.com's common stock in connection with the loans that the Company has made to WeightWatchers.com under the WeightWatchers.com note described above. These warrants will expire on November 24, 2009 and may be exercised at a price of $7.14 per share of WeightWatchers.com's common stock until then. The exercise price and the number of shares of WeightWatchers.com's common stock available for purchase upon exercise of the warrants may be adjusted from time to time upon the occurrence of certain events.

Under a warrant agreement dated October 1, 2000 entered into between WeightWatchers.com and the Company, the Company has received warrants to purchase an additional 5.26% of WeightWatchers.com's common stock in connection with the loans that the Company has made to WeightWatchers.com under the WeightWatchers.com note described above. These warrants will expire on October 1, 2010 and may be exercised at a price of $7.14 per share of WeightWatchers.com's common stock until then. The exercise price and the number shares of WeightWatchers.com's common stock available for purchase upon exercise of the warrants may be adjusted from time to time upon the occurrence of certain events.

On October 1, 2000, the Company amended its loan agreement with Weight Watchers.com increasing the aggregate principal amount from $10.0 million to $23.5 million. On that date, the unpaid principal and accumulated interest was rolled over into the new loan. The amount may be advanced at any time or from time to time prior to July 31, 2003. The note bears interest at 13% per year. All principal and interest outstanding under the note are scheduled to be payable on September 30, 2003. The note may be prepaid at any time in whole or in part, without premium or penalty. Pursuant to the note the Company has advanced WeightWatchers.com $14.8 million during the eight month period ended December 30, 2000 and $2.0 million during the fiscal year ended April 29, 2000. As of December 30, 2000 $16.8 million of principal and $.8 million of interest was charged to other expenses.

9. RESTRUCTURING CHARGES:

During the fourth quarter of fiscal 1997, the Company announced a reorganization and restructuring program. The reorganization plan was designed to strengthen the Company's classroom business and improve profitability and global growth.

Charges related to the restructuring were recognized to reflect the exit from the Personal Cuisine Food Option in United States Company-owned locations, the relocation of classes from certain fixed retail outlets to traveling locations, and other initiatives involving the exit of certain under-performing business and product lines.

Restructuring and related costs recorded in fiscal 1997 totalled $51.7 million pretax. Pretax charges of $49.7 million were classified as classroom operating expenses and $2.0 million as selling, general and administrative expenses. The major components of the fiscal 1997 charges and the remaining accrual balances were as follows:

		Employee	Exit Costs		
	Non-Cash Asset Write-downs	Termination and Severance Costs	Accrued Exit Costs	Implementation Costs	Total
Initial charge - 1997	$ 27,402	$ 4,723	$ 19,569	$ --	$ 51,694
Amounts utilized - 1997	(27,402)	(339)	(46)	--	(27,787)
Accrued restructuring costs - April 26, 1997	--	4,384	19,523		23,907
Implementation costs - 1998	--	--	--	999	999
Amounts utilized - 1998	--	(3,709)	(8,553)	(999)	(13,261)
Accrued restructuring costs - April 25, 1998	--	675	10,970	--	11,645
Implementation costs - 1999	--	--	--	32	32
Amounts utilized - 1999	--	(186)	(3,769)	(32)	(3,987)
Accrued restructuring costs - April 24, 1999	--	489	7,201	--	7,690
Amounts utilized - 2000	--	--	(2,904)	--	(2,904)
Accrued restructuring costs - April 29, 2000	--	489	4,297	--	4,786
Amounts utilized - Apr 30 - Dec 30, 2000	--	(489)	(1,812)	--	(2,301)
Accrued restructuring costs - December 30, 2000	$ --	$ --	$ 2,485	$ --	$ 2,485

Asset write-downs of $16.9 million consisted primarily of fixed assets and other long-term asset impairments that were recorded as a direct result of the Company's decision to exit businesses or facilities. Such assets were written down based on management's estimate of fair value. Write-downs of $10.5 million were also recognized for estimated losses from disposals of classroom inventories, packaging materials and other assets related to product line rationalizations and process changes as a direct result of the Company's decision to exit businesses or facilities.

Employee severance costs include charges related to both involuntary terminations and involuntary terminations. As part of the voluntary termination agreements, enhanced retirement benefits were offered to the affected employees. These amounts were included in the Employee Termination and Severance costs component of the restructuring charge.

Exit costs consist primarily of contract and lease termination costs associated with the Company's decision to exit the activities described above. The remaining accrued exit costs will be utilized through 2002.

The results for 1998 included costs related to the implementation of the restructuring program of $999 pretax, which were classified as selling, general and administrative expenses. These costs consist primarily of center relocation and training. The results for 1999 included costs related to the implementation of the restructuring program of $32 pretax, which were classified as selling, general and administrative expenses. These costs consist primarily of relocation and training costs.

10. PROPERTY AND EQUIPMENT:

The components of property and equipment were:

	DECEMBER 30, 2000	APRIL 29, 2000	APRIL 24, 1999
Leasehold improvements	$ 19,218	$ 17,954	$ 18,343
Equipment	31,921	30,900	36,559
	51,139	48,854	54,902
Less: Accumulated depreciation and amortization	43,006	41,911	46,428
	8,133	6,943	8,474
Construction in progress	12	58	251
	$ 8,145	$ 7,001	$ 8,725

Depreciation and amortization expense of property and equipment for the eight month period ended December 30, 2000 and for the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998 was $2.1 million, $2.9 million, $3.6 million and $3.3 million, respectively.

11. RELATED PARTY TRANSACTIONS:

On November 30, 1999, the Company entered into an agreement with Nellson Neutraceutical, Inc. ("Nellson"), a wholly-owned subsidiary of Artal, to purchase nutrition bar products manufactured by Nellson for sale at the Company's meetings. Under the agreement, Nellson agrees to produce sufficient nutrition bar products to fill the Company's purchase orders within 30 days of receipt. The Company is not bound to purchase a minimum quantity of nutrition bar products. The term of the agreement is one year and the Company may renew the agreement for successive one-year periods by providing written notice to Nellson. The provisions of the agreement are comparable to those the Company would receive from a third party. Total purchases from Nellson for the eight month period ended December 30, 2000 and for the fiscal year ended April 29, 2000 were $4.9 million and $4.3 million, respectively.

At the closing of the Transaction, the Company granted to Heinz an exclusive, worldwide, royalty-free license to use the Custodial Trademarks (or any portion covering food and beverage products) in connection with Heinz licensed products. Heinz will pay the Company an annual fee of $1.2 million for five years in exchange for the Company serving as the custodian of the Custodial Trademarks.

Prior to the Transaction, the following related party transactions existed.

Certain of Heinz' general and administrative expenses were allocated to the Company. Total costs allocated include charges for salaries of corporate officers and staff and other Heinz corporate overhead. Total costs charged to the Company for these services were $1.0 million, $2.2 million and $1.8 million for the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998, respectively.

In addition, Heinz charged the Company for its share of group health insurance costs for eligible Company employees based upon location specific costs, overall insurance costs and loss experience incurred during a calendar year. In addition, various other insurance coverages were also provided to the Company through Heinz' consolidated programs. Workers compensation, auto, property, product liability and other insurance coverages are charged directly based on the Company's loss experience. Amounts charged to the Company for insurance costs were $3.8 million, $4.3 million and $4.2 million for the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998, respectively, and are recorded in selling, general and administrative expenses in the accompanying statement of operations.

Total costs charged to the Company by Heinz for other miscellaneous services were $93 thousand, $520 thousand and $579 thousand for the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998, respectively, and were recorded in selling, general and administrative expenses in the accompanying statement of operations.

The Company maintained a cash management arrangement with Heinz. On a daily basis, all available domestic cash was deposited and disbursements were withdrawn. Heinz charged the Company interest on the average daily balance maintained in an intercompany account. Net interest expense related to this arrangement included in the statement of operations was $1.7 million, $3.1 million and $965 thousand for the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998, respectively. The interest rate charged to or received by the Company was 5.5% in fiscal year ended April 29, 2000 and 6.25% for fiscal years ended April 24, 1999 and April 25, 1998.

Substantially all of the due from related parties of $133.8 million at April 24, 1999 represents a note receivable from an affiliate of Heinz which was repaid in June 1999. Interest income reflected in the statement of operations related to this note receivable was $10.0 million and $9.6 million, for the fiscal years ended April 24, 1999 and April 25, 1998, respectively. The interest rate charged by the Company was LIBOR plus 25 basis points in both years.

Short-term borrowings due to an affiliate of Heinz of $16.3 million at April 24, 1999 represented a note payable due April 28, 1999. Interest expense related to the note payable was $35 thousand for the fiscal year ended April 29, 2000 and $1.0 million for the fiscal year ended April 24, 1999.

Long-term borrowings of $52.5 million due to a related party were contributed to capital during the fiscal year ended April 25, 1998. Interest expense related to these long-term borrowings was $961 thousand and the interest rate was 10.5%.

Pension costs and postretirement costs are also charged to the Company based upon eligible employees participating in the Plans. See also Note 7.

12. INCOME TAXES:

The following tables summarizes the provision (benefit) for U.S. federal, state and foreign taxes on income:

		DECEMBER 30, 2000	APRIL 29, 2000	APRIL 24, 1999	APRIL 25, 1998
Current:					
	U.S federal	$ 234	$ 5,727	$ 11,997	$ (4,798)
	State	200	2,464	3,247	346
	Foreign	5,319	11,591	11,837	8,858
		5,753	19,782	27,081	4,406
Deferred:					
	U.S federal	$ --	$ 7,800	$ 6,368	$ 10,493
	State	--	368	312	502
	Foreign	104	373	2,599	4,568
		104	8,541	9,279	15,563
	Total tax provision	$ 5,857	$ 28,323	$ 36,360	$ 19,969

The components of income before income taxes and minority interest consist of the following:

	December 30, 2000	April 29, 2000	April 24, 1999	April 25, 1998
Domestic	$ 9,399	$33,538	$48,199	$13,143
Foreign	11,624	33,378	37,636	31,442
	$21,023	$66,916	$85,835	$44,585

The difference between the U.S. federal statutory tax rate and the Company's consolidated effective tax rate are as follows:

	DECEMBER 30, 2000	APRIL 29, 2000	APRIL 24, 1999	APRIL 25, 1998
U.S. federal statutory rate	35.0%	35.0%	35.0%	35.0%
Foreign income taxes	4.0	1.7	3.5	7.2
States' income taxes (net of federal benefit)	0.6	2.6	2.7	1.6
Goodwill amortization	1.0	0.4	0.8	1.7
Other	1.3	2.6	0.4	(0.7)
Valuation allowance	(14.0)	--	--	--
Effective tax rate	27.9%	42.3%	42.4%	44.8%

The deferred tax assets and deferred tax (liabilities) recorded on the balance sheet as of December 30, 2000, April 29, 2000 and April 24, 1999 are as follows:

	DECEMBER 30, 2000	APRIL 29, 2000	APRIL 24, 1999
Depreciation	$ 333	$ 304	$ --
Provision for estimated expenses	2,702	1,771	3,288
Operating loss carryforwards	953	4,369	4,430
Transaction expenses	--	2,933	--
Benefits plans	--	--	5,878
WW.com loan	6,513	--	--
Other	143	216	1,998
Amortization	139,642	135,329	--
Less: Valuation allowance	(71,903)	(71,979)	(630)
Total deferred tax assets	$ 78,383	$ 72,943	$ 14,964
Transaction expenses	$ (4,374)	$ --	$ --
Depreciation/amortization	--	--	(9,620)
Deferred income	(5,764)	(4,985)	(3,767)
Other	(3,497)	(3,231)	(2,063)
Total deferred tax liabilities	$ (13,635)	$ (8,216)	$ (15,450)
Net deferred tax assets (liabilities)	$ 64,748	$ 64,727	$ (486)

Having utilized approximately $9.2 million in the current year, remaining net operating loss carryforwards at December 30, 2000 totalled $2.6 million, all of which will expire by 2019. Further, the Company will be subject to the federal alternative minimum tax (AMT) for the current year, resulting in an AMT credit carryforward at December 30, 2000 of approximately $200,000, which can be carried forward indefinitely and used to offset taxable income in future years to the extent the Company is not subject to AMT.

As of December 30, 2000, the Company has provided for a valuation allowance for its deferred tax assets. Although realization is not assured, management believes it is more likely than not, that the net deferred tax assets will be realized. The determination of the net deferred tax assets deemed realizable was based on available historical evidence, and estimates of future taxable income. This amount may be subject to adjustment based on changes to those factors in future years.

On September 29, 1999 the Company effected a recapitalization and stock purchase agreement with its former parent, Heinz. For U.S. tax purposes, the transaction was treated as a taxable sale under IRC Section 338(h)(10), resulting in a step-up in the tax basis of net assets. The step-up in tax basis as finally determined upon filing of the Section 338(h)(10) election during the current year resulted in an additional deferred tax asset of approximately $3.3 million, with an offsetting adjustment to the valuation allowance.

Undistributed earnings of foreign subsidiaries considered to be reinvested permanently, for which no deferred taxes are provided, amounted to $27.2 million as of December 30, 2000.

13. CASH FLOW INFORMATION:

Net cash paid during the year for:

	DECEMBER 30, 2000	APRIL 29, 2000	APRIL 24, 1999	APRIL 25, 1998
Interest expense	$31,639	$31,402	$ 2,748	$ 5,818
Income taxes	$ 8,405	$13,601	$ 5,380	$ 4,706

Noncash investing and financing activities were as follows:

Deferred tax asset recorded as a component of stockholders' deficit in conjunction with the recapitalization of the Company	--	$72,100	--	--
Redeemable preferred stock issued to Heinz	--	$25,875	--	--
Contribution of related party debt to capital	--	--	--	$52,500
Reduction of existing receivable in connection with the acquisition of minority interest	$1,124	--	--	--

14. COMMITMENTS AND CONTINGENCIES:

Legal:

Due to the nature of its activities, the Company is, at times, subject to pending and threatened legal actions which arise during the normal course of business. In the opinion of management, based in part upon advice of legal counsel, the disposition of such matters will not have a material effect on the consolidated financial statements.

Lease Commitments:

Minimum rental commitments under non-cancelable operating leases, primarily for office and rental facilities at December 30, 2000, consists of the following:

2001	$ 12,677
2002	7,922
2003	5,241
2004	3,659
2005	3,373
2006 and thereafter	18,913
Total	$ 51,785

Total rent expense charged to operations under these leases for the eight month period ended December 30, 2000, and for the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998 was approximately $8.2 million, $12.3 million, $11.0 million and $10.3 million, respectively.

Repurchase Agreements:

The Company is a party to a repurchase agreement related to the 10% minority interest in the classroom operation of Finland. Pursuant to this agreement, the Company may elect or be required to repurchase the minority shareholders' interest in this operation. If the Company repurchases the minority interest within five years of the original sale, the repurchase price is based on the original sales price times the increase in the consumer price index since the date of the sale. If the Company repurchases the minority interest after five years from the original sale, the repurchase price is based on a multiple of the average operating income during the last three years. On August 1, 2000 the Company repurchased the remaining 10% minority interest of the Sweden. The acquisition was financed with $2.4 million of cash plus $1.1 million reduction of an existing receivable from the minority owner resulting in goodwill of $3.5 million.

15. FRANCHISE PROFIT SHARING FUND:

The Company's franchise agreement with certain North American franchisees provides for an annual franchise profit sharing distribution based upon specified formulas. In October 2000, the Company reached an agreement with certain franchisees regarding the sharing of profits of prior and future product sales. The settlement provided for a payment of approximately $3.8 million during the eight month period ended December 30, 2000 and releases the Company from any future obligations to the franchisees under profit sharing arrangements dating back to 1969. Profit sharing expense under this arrangement for the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998 was $.4 million, $.8 million and $.7 million, respectively. Unpaid amounts are included in accrued liabilities.

16. SEGMENT AND GEOGRAPHIC DATA:

The Company is engaged principally in one line of business, i.e., weight control. The following table presents information about the Company by geographic area. There were no material amounts of sales or transfers among geographic areas and no material amounts of United States export sales.

	EXTERNAL SALES			
	DECEMBER 30, 2000	APRIL 29, 2000	APRIL 24, 1999	APRIL 25, 1998
United States	$150,199	$207,256	$189,366	$143,765
United Kingdom	55,945	90,778	76,143	73,146
Continental Europe	48,306	66,524	65,119	54,850
Australia and New Zealand	18,725	35,016	33,980	25,484
	$273,175	$399,574	$364,608	$297,245

	LONG-LIVED ASSETS			
	DECEMBER 30, 2000	APRIL 29, 2000	APRIL 24, 1999	APRIL 25, 1998
United States	$142,641	$142,675	$149,054	$155,360
United Kingdom	2,737	949	1,198	1,272
Continental Europe	1,914	1,973	2,422	2,463
Australia and New Zealand	18,402	21,132	7,878	8,208
	$165,694	$166,729	$160,552	$167,303

17. FINANCIAL INSTRUMENTS:

Fair value of Financial Instruments:

The Company's significant financial instruments include cash and cash equivalents, short-and-long-term debt, current and noncurrent notes receivable, currency exchange agreements and guarantees.

In evaluating the fair value of significant financial instruments, the Company generally uses quoted market prices of the same or similar instruments or calculates an estimated fair value on a discounted cash flow basis using the rates available for instruments with the same remaining maturities. As of December 30, 2000, the fair value of financial instruments held by the Company approximated the recorded value. Based on the current interest rates, management believes that the carrying amount of the Company's debt approximates fair market value.

Foreign Currency Contracts:

As of December 30, 2000 and April 29, 2000, the Company held currency and interest rate swap contracts to purchase certain foreign currencies totalling $158.1 million and $139.4 million, respectively. The Company also held separate currency and interest rate swap contracts to sell foreign currencies of $163.5 million and $138.9 million, respectively. Net unrealized gains (losses) associated with the Company's foreign currency contracts were $5.9 million and ($.5) million, respectively.

18. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The change in the Company's fiscal year end resulted in the elimination of the one month lag for certain foreign subsidiaries and is effective retroactive to April 30, 2000 which results in the quarterly data presented herein to differ from that previously reported on the July 29, 2000 and October 28, 2000 Form 10-Q's. The change from the previous Form 10-Q's for revenue is an increase of $469 and a decrease of $6,469 for the quarters ended July 29 and October 28, 2000, respectively. The change for operating income is an increase of $2,374 and an increase of $2,443 for the quarters ended July 29 and October 28, 2000, respectively. The change for net income is an increase of $1,736 and an increase of $1,816 for the quarters ended, July 29 and October 28, 2000, respectively.

	FIRST QUARTER	SECOND QUARTER	TWO MONTHS ENDED DECEMBER 30, 2000
EIGHT MONTH PERIOD ENDED DECEMBER 30, 2000			
Revenues	$103,073	$107,582	$ 62,520
Operating income	$ 36,626	$ 27,648	$ 10,410
Net income (loss)	$ 13,705	$ 10,908	$ (9,594)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
FISCAL YEAR ENDED APRIL 29, 2000				
Revenues	$ 92,174	$ 84,031	$ 90,507	$132,862
Operating income	$ 28,302	$ 10,508	$ 14,719	$ 34,115
Net income	$ 17,095	$ 2,239	$ 912	$ 17,513
FISCAL YEAR ENDED APRIL 24, 1999				
Revenues	$ 84,036	$ 79,966	$ 89,403	$111,203
Operating income	$ 22,488	$ 14,505	$ 20,118	$ 26,804
Net income	$ 12,708	$ 8,227	$ 11,506	$ 15,541

19. SUBSEQUENT EVENT

On January 16, 2001 the Company completed the acquisition of the Weight Watchers franchised territories and certain business assets of Weighco Enterprises, Inc., Weighco of Northeast, Inc., and Weighco of Southwest, Inc. pursuant to the terms of the Asset Purchase Agreement, dated as of December 11, 2000 among Weighco Enterprises, Inc., Weighco of Northwest, Inc., and Weighco of Southwest, Inc., the Company and Weight Watchers North America, Inc., a wholly-owned subsidiary of the Company.

The transaction will be accounted for by the purchase method of accounting. Substantially all of the purchase price in excess of the net assets acquired will be recorded as goodwill.

The purchase price for the acquisition was $83.8 million. Of this amount, the Company obtained $60 million pursuant to the Amended and Restated Credit Agreement, dated as of January 16, 2001 among Weight Watchers International, Inc., WW Funding Corp. and various financial institutions.

20. GUARANTOR SUBSIDIARIES

The Company's payment obligations under the Senior Subordinated Notes will be fully and unconditionally guaranteed on a joint and several basis by the following wholly-owned subsidiaries: 58 WW Food Corp.; Waist Watchers, Inc.; Weight Watchers Camps, Inc.; W.W. Camps and Spas, Inc.; Weight Watchers Direct, Inc.; W/W Twentyfirst Corporation; W.W. Weight Reduction Services, Inc.; W.W.I. European Services Ltd.; W.W. Inventory Service Corp.; Weight Watchers North America, Inc.; Weight Watchers UK Holdings Ltd.; Weight Watchers International Holdings Ltd.; Weight Watchers (U.K.) Limited; Weight Watchers (Exercise) Ltd.; Weight Watchers (Accessories & Publications) Ltd.; Weight Watchers (Food Products) Limited; Weight Watchers New Zealand Limited; Weight Watchers International Pty Limited; Fortuity Pty Ltd; and Gutbusters Pty Ltd. (collectively, the "Guarantor Subsidiaries"). The obligations of each Guarantor Subsidiary under its guarantee of the Notes are subordinated to such subsidiary's obligations under its guarantee of the new senior credit facility.

Presented below is condensed consolidating financial information for Weight Watchers International, Inc. ("Parent Company"), the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries (primarily companies incorporated in European countries other than the United Kingdom). In the Company's opinion, separate financial statements and other disclosures concerning each of the Guarantor Subsidiaries would not provide additional information that is material to investors. Therefore, the Guarantor Subsidiaries are combined in the presentation below.

Investments in subsidiaries are accounted for by the Parent Company on the equity method of accounting. Earnings of subsidiaries are, therefore, reflected in the Parent Company's investments in subsidiaries' accounts. The elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 30, 2000
(IN THOUSANDS)

ASSETS	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Current assets					
Cash and cash equivalents	$ 26,699	$ 11,191	$ 6,611	$ --	$ 44,501
Receivables, net	7,390	5,941	1,347	--	14,678
Notes receivable, current	2,104	--	2	--	2,106
Foreign currency contract receivable	5,364	--	--	--	5,364
Inventories	--	11,867	3,177	--	15,044
Prepaid expenses	961	7,809	2,329	--	11,099
Deferred income taxes	2,846	(2,198)	--	--	648
Intercompany receivables (payables)	(10,921)	3,147	7,774	--	--
TOTAL CURRENT ASSETS	34,443	37,757	21,240	--	93,440
Investment in consolidated subsidiaries	175,876	--	--	(175,876)	--
Property and equipment, net	1,272	5,679	1,194	--	8,145
Notes and other receivables, noncurrent	5,601	--	--	--	5,601
Goodwill, net	28,367	121,814	720	--	150,901
Trademarks and other intangible assets, net	1,876	4,761	11	--	6,648
Deferred income taxes	(44,713)	111,920	--	--	67,207
Deferred financing costs	13,513	--	--	--	13,513
Other noncurrent assets	163	271	328	--	762
TOTAL ASSETS	$ 216,398	$ 282,202	$ 23,493	$(175,876)	$ 346,217
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)					
Current liabilities					
Short-term borrowings due to related party	$ 1,730	$ --	$ --	$ --	$ 1,730
Portion of long-term debt due within one year	13,250	870	--	--	14,120
Accounts payable	932	8,379	2,678	--	11,989
Salaries and wages	3,568	3,533	3,443	--	10,544
Accrued interest	9,069	593	--	--	9,662
Accrued restructuring costs	--	2,485	--	--	2,485
Other accrued liabilities	9,420	10,540	3,255	--	23,215
Income taxes	1,677	(414)	2,397	--	3,660
Deferred revenue	--	4,843	993	--	5,836
TOTAL CURRENT LIABILITIES	39,646	30,829	12,766	--	83,241
Long-term debt	371,053	85,477	--	--	456,530
Deferred income taxes	2,481	--	626	--	3,107
Other	--	--	121	--	121
TOTAL LONG-TERM DEBT AND OTHER LIABILITIES	373,534	85,477	747	--	459,758
Redeemable preferred stock	25,996	--	--	--	25,996
Stockholders' equity (deficit)	(222,778)	165,896	9,980	(175,876)	(222,778)
TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 216,398	$ 282,202	$ 23,493	$(175,876)	$ 346,217

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING BALANCE SHEET
AS OF APRIL 29, 2000
(IN THOUSANDS)

ASSETS	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Current assets					
Cash and cash equivalents	$ 10,984	$ 22,465	$ 10,594	$ --	$ 44,043
Receivables, net	6,006	5,606	1,265	--	12,877
Notes receivable, current	2,791	--	--	--	2,791
Inventories	--	7,827	1,501	--	9,328
Prepaid expenses	748	6,240	1,372	--	8,360
Deferred income taxes	2,846	(2,752)	--	--	94
Intercompany receivables (payables)	(32,114)	27,742	4,372	--	--
TOTAL CURRENT ASSETS	(8,739)	67,128	19,104	--	77,493
Investment in consolidated subsidiaries	162,320	--	--	(162,320)	--
Property and equipment, net	1,809	3,974	1,218	--	7,001
Notes and other receivables, noncurrent	7,045	--	--	--	7,045
Goodwill, net	25,833	125,977	755	--	152,565
Trademarks and other intangible assets, net	1,960	5,193	10	--	7,163
Deferred income taxes	(9,854)	77,428	--	--	67,574
Deferred financing costs	14,749	(83)	--	--	14,666
Other noncurrent assets	163	365	172	--	700
Total assets	$ 195,286	$ 279,982	$ 21,259	$(162,320)	$ 334,207
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS EQUITY (DEFICIT)					
Current liabilities					
Short-term borrowings due to related party	$ 1,489	$ --	$ --	$ --	$ 1,489
Portion of long-term debt due within one year	13,250	870	--	--	14,120
Accounts payable	1,438	9,084	1,840	--	12,362
Salaries and wages	2,301	4,256	3,568	--	10,125
Accrued interest	3,521	561	--	--	4,082
Accrued restructuring costs	--	4,786	--	--	4,786
Foreign currency contract payable	486	--	--	--	486
Other accrued liabilities	6,387	9,049	4,147	--	19,583
Income taxes	(1,846)	5,965	2,667	--	6,786
Deferred revenue	--	3,824	808	--	4,632
TOTAL CURRENT LIABILITIES	27,026	38,395	13,030	--	78,451
Long-term debt	374,598	85,912	--	--	460,510
Deferred income taxes	1,903	390	648	--	2,941
Other	--	--	546	--	546
TOTAL LONG TERM DEBT AND OTHER LIABILITIES	376,501	86,302	1,194	--	463,997
Redeemable preferred stock	25,875	2,507	254	(2,761)	25,875
Stockholders' equity (deficit)	(234,116)	152,778	6,781	(159,559)	(234,116)
TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 195,286	$ 279,982	$ 21,259	$(162,320)	$ 334,207

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING BALANCE SHEET
AS OF APRIL 24, 1999
(IN THOUSANDS)

ASSETS	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Current assets					
Cash and cash equivalents	$ (74)	$ 12,376	$ 7,213	$ --	$ 19,515
Receivables, net	5,134	4,364	1,905	--	11,403
Notes receivable, current	3,266	--	--	--	3,266
Inventories	--	5,775	1,805	--	7,580
Prepaid expenses	856	4,588	2,154	--	7,598
Deferred income taxes	1,758	(1,949)	3,800	--	3,609
Due from related parties	1,034	242	132,507	--	133,783
Intercompany receivables (payables)	103,588	(107,373)	3,785	--	--
TOTAL CURRENT ASSETS	115,562	(81,977)	153,169	--	186,754
Investment in consolidated subsidiaries	117,732	--	--	(117,732)	--
Property and equipment, net	1,981	5,231	1,513	--	8,725
Notes and other receivables, noncurrent	10,295	--	8,870	--	19,165
Goodwill, net	27,254	115,568	892	--	143,714
Trademarks and other intangible assets, net	2,355	5,745	13	--	8,113
Deferred income taxes	(22)	4,155	--	--	4,133
Other noncurrent assets	138	510	182	--	830
TOTAL ASSETS	$ 275,295	$ 49,232	$ 164,639	$(117,732)	$ 371,434
LIABILITIES AND PARENT COMPANY'S INVESTMENT					
Current liabilities					
Short-term borrowings and line of credit	$ --	$ --	$ 6,690	$ --	$ 6,690
Short-term borrowings due to related party	16,638	(388)	--	--	16,250
Portion of long-term debt due within one year	1,164	--	--	--	1,164
Accounts payable	631	9,192	2,887	--	12,710
Salaries and wages	4,189	7,096	--	--	11,285
Accrued interest	2,161	--	15	--	2,176
Accrued restructuring costs	8	7,929	(247)	--	7,690
Foreign currency contract payable	--	--	7,169	--	7,169
Other accrued liabilities	1,798	6,659	7,587	--	16,044
Income taxes	(11,168)	17,118	2,012	--	7,962
Deferred revenue	--	5,680	734	--	6,414
TOTAL CURRENT LIABILITIES	15,421	53,286	26,847	--	95,554
Long-term debt	15,500	--	--	--	15,500
Deferred income taxes	(2,366)	10,338	256	--	8,228
Other	--	2,659	545	--	3,204
TOTAL LONG-TERM DEBT AND OTHER LIABILITIES	13,134	12,997	801	--	26,932
Parent company's investment	246,740	(17,051)	136,991	(117,732)	248,948
TOTAL LIABILITIES AND PARENT COMPANYS INVESTMENT	$ 275,295	$ 49,232	$ 164,639	$(117,732)	$ 371,434

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE EIGHT MONTH PERIOD ENDED DECEMBER 30, 2000
(IN THOUSANDS)

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Revenues, net	$ 20,794	$ 204,074	$ 48,307	$ --	$ 273,175
Cost of revenues	4,571	105,444	29,268	--	139,283
Gross profit	16,223	98,630	19,039	--	133,892
Marketing expenses	2,784	18,994	5,208	--	26,986
Selling, general and administrative expenses	14,826	11,708	5,688	--	32,222
Operating income (loss)	(1,387)	67,928	8,143	--	74,684
Interest income	1,642	1,209	268	--	3,119
Interest expense	26,338	13,849	57	--	40,244
Other expense (income), net	16,545	(2)	(7)	--	16,536
Equity in income of consolidated subsidiaries	26,621	--	--	(26,621)	--
Franchise commission income (loss)	20,144	(17,647)	(2,497)	--	--
Income before income taxes and minority interest	4,137	37,643	5,864	(26,621)	21,023
(Benefit from) provision for income taxes	(10,882)	14,558	2,181	--	5,857
Income before minority interest	15,019	23,085	3,683	(26,621)	15,166
Minority interest	--	--	147	--	147
Net income	$ 15,019	$ 23,085	$ 3,536	$ (26,621)	$ 15,019

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED APRIL 29, 2000
(IN THOUSANDS)

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Revenues, net	$ 32,836	$ 300,215	$ 66,523	$ --	$ 399,574
Cost of revenues	4,911	155,251	41,227	--	201,389
Gross profit	27,925	144,964	25,296	--	198,185
Marketing expenses	7,417	35,707	8,329	--	51,453
Selling, general and administrative expenses	23,066	20,357	7,320	--	50,743
Transaction costs	8,247	98	--	--	8,345
Operating income (loss)	(10,805)	88,802	9,647	--	87,644
Interest income	1,462	1,864	2,466	--	5,792
Interest expense	29,104	6,471	1,296	--	36,871
Other (income) expense, net	(10,997)	151	495	--	(10,351)
Equity in income of consolidated subsidiaries	44,441	--	--	(44,441)	--
Franchise commission income (loss)	21,686	(18,500)	(3,186)	--	--
Income before income taxes and minority interest	38,677	65,544	7,136	(44,441)	66,916
Provision for income taxes	918	24,090	3,315	--	28,323
Income before minority interest	37,759	41,454	3,821	(44,441)	38,593
Minority interest	--	834	--	--	834
Net income	$ 37,759	$ 40,620	$ 3,821	$ (44,441)	$ 37,759

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED APRIL 24, 1999
(IN THOUSANDS)

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Revenues, net	$ 42,288	$ 257,202	$ 65,118	$ --	$ 364,608
Cost of revenues	3,685	135,095	40,145	--	178,925
Gross profit	38,603	122,107	24,973	--	185,683
Marketing expenses	8,815	35,381	8,660	--	52,856
Selling, general and administrative expenses	23,715	17,794	7,403	--	48,912
Operating income	6,073	68,932	8,910	--	83,915
Interest income	615	5,096	10,938	(622)	16,027
Interest expense	3,537	357	5,587	(622)	8,859
Other (income) expense, net	1,930	3,361	(43)	--	5,248
Equity in income of consolidated subsidiaries	37,310	--	--	(37,310)	--
Franchise commission income (loss)	8,697	(6,072)	(2,625)	--	--
Income before income taxes and minority interest	47,228	64,238	11,679	(37,310)	85,835
Provision for income taxes	7,944	22,860	5,556	--	36,360
Income before minority interest	39,284	41,378	6,123	(37,310)	49,475
Minority interest	--	1,108	385	--	1,493
Net income	$ 39,284	$ 40,270	$ 5,738	$ (37,310)	$ 47,982

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED APRIL 25, 1998
(IN THOUSANDS)

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Revenues, net	$ 28,465	$ 213,929	$ 54,851	$ --	$ 297,245
Cost of revenues	3,264	122,148	34,549	--	159,961
Gross profit	25,201	91,781	20,302	--	137,284
Marketing expenses	7,916	33,499	7,812	--	49,227
Selling, general and administrative expenses	21,154	16,578	6,335	--	44,067
Operating income (loss)	(3,869)	41,704	6,155	--	43,990
Interest income	831	2,297	10,641	(317)	13,452
Interest expense	4,033	607	4,253	(317)	8,576
Other expense, net	1,695	2,494	92	--	4,281
Equity in income of consolidated subsidiaries	16,837	--	--	(16,837)	--
Franchise commission income (loss)	8,038	(5,984)	(2,054)	--	--
Income before income taxes and minority interest	16,109	34,916	10,397	(16,837)	44,585
(Benefit from) provision for income taxes	(1,979)	16,355	5,593	--	19,969
Income before minority interest	18,088	18,561	4,804	(16,837)	24,616
Minority interest	--	629	216	--	845
Net income	$ 18,088	$ 17,932	$ 4,588	$ (16,837)	$ 23,771

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF CASH FLOW
FOR THE EIGHT MONTH PERIOD ENDED DECEMBER 30, 2000
(IN THOUSANDS)

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Operating activities:					
Net income	$ 15,019	$ 23,085	$ 3,536	$(26,621)	$ 15,019
Adjustments to reconcile net income to cash provided by (used for) operating activities:					
Depreciation and amortization	3,212	4,266	411	--	7,889
Deferred tax (benefit) provision	--	104	--	--	104
Accounting for equity investment	17,604	--	--	--	17,604
Elimination of foreign subsidiaries one month reporting lag	1,137	86	1,120	(1,137)	1,206
Allowance for doubtful accounts	--	(188)	--	--	(188)
Reserve for inventory obsolescence, other	--	(1,024)	49	--	(975)
Other items, net		(532)	(422)	--	(954)
Changes in cash due to:					--
Receivables	(7,946)	(180)	(84)	--	(8,210)
Inventories	--	(3,046)	(1,725)	--	(4,771)
Prepaid expense	(213)	(1,585)	(957)	--	(2,755)
Intercompany receivables/payables	(21,193)	24,595	(3,402)	--	--
Due from related parties	241	--	--	--	241
Accounts payable	(1,072)	(69)	838	--	(303)
Accrued liabilities	9,362	(1,450)	(1,015)	--	6,897
Deferred revenue	0	853	(185)	--	1,043
Income taxes	38,960	(41,643)	(292)	--	(2,975)
Cash provided by (used for) operating activities	55,111	3,277	(1,758)	(27,758)	28,872
Investing activities:					
Capital expenditures	(100)	(3,017)	(509)	--	(3,626)
Advances and interest to equity investment	(15,604)	--	--	--	(15,604)
Acquisitions of minority interest	(2,400)	--	--	--	(2,400)
Other items, net	(148)	147	4	--	3
Cash used for investing activities	(18,252)	(2,870)	(505)	--	(21,627)
Financing activities:					
Net (decrease) increase in short-term borrowings	566	(600)	--	--	(34)
Parent company investment in subsidiaries	(13,556)	--	--	13,556	--
Payment of dividends	(879)	(8,834)	(1,968)	10,802	(879)
Payments on long-term debt	(6,625)	(435)	--	--	(7,060)
Net Parent (settlements) advances	--	--	421	(421)	--
Cash used for financing activities	(20,494)	(9,869)	(1,547)	23,937	(7,973)
Effect of exchange rate changes on cash and cash equivalents	(650)	(1,812)	(173)	3,821	1,186
Net (decrease) increase in cash and cash equivalents	15,715	(11,274)	(3,983)	--	458
Cash and cash equivalents, beginning of period	10,984	22,465	10,594	--	44,043
Cash and cash equivalents, end of period	$ 26,699	$ 11,191	$ 6,611	$ --	$ 44,501

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF CASH FLOW
FOR THE FISCAL YEAR ENDED APRIL 29, 2000
(IN THOUSANDS)

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Operating activities:					
Net income	$ 37,759	$ 40,620	$ 3,821	$ (44,441)	$ 37,759
Adjustments to reconcile net income to cash provided by (used for) operating activities:					
Depreciation and amortization	3,438	6,028	932	--	10,398
Deferred tax (benefit) provision	3,785	4,685	71	--	8,541
Allowance for doubtful accounts	352	29	4	--	385
Reserve for inventory obsolescence, other	--	(93)	(28)	--	(121)
Other items, net	--	(2,492)	--	--	(2,492)
Changes in cash due to:					
Receivables	4,501	(1,353)	9,506	--	12,654
Inventories	--	(2,028)	332	--	(1,696)
Prepaid expense	108	(1,691)	782	--	(801)
Due from related parties	(15,149)	384	--	--	(14,765)
Accounts payable	807	(1,272)	(1,047)	--	(1,512)
Accrued liabilities	4,538	(1,845)	3,087	--	5,780
Deferred revenue		(1,827)	74	--	(1,753)
Income taxes	90,650	(97,918)	4,776	--	(2,492)
Cash provided by (used for) operating activities	130,789	(58,773)	22,310	(44,441)	49,885
Investing activities:					
Capital expenditures	(299)	(1,004)	(571)	--	(1,874)
Acquisitions, net of cash acquired	--	--	--	--	--
Acquisitions of minority interest	--	(15,900)	--	--	(15,900)
Other items, net	(2,067)	116	84	--	(1,867)
Cash used for investing activities	(2,366)	(16,788)	(487)	--	(19,641)
Financing activities:					
Net (decrease) increase in short-term borrowings	--	1,235	(6,690)	--	(5,455)
Parent company investment in subsidiaries	(34,693)	--	--	34,693	--
Proceeds from borrowings	404,260	87,000	--	--	491,260
Repurchase of common stock	(324,476)	--	--	--	(324,476)
Payment of dividends	(2,797)	(3,120)	(4,494)	7,615	(2,796)
Payments on long-term debt	(3,312)	(218)	--	--	(3,530)
Deferred financing costs	(15,861)	--	--	--	(15,861)
Net Parent (settlements) advances	(138,998)	14,552	(7,175)	591	(131,030)
Cash (used for) provided by financing activities	(115,877)	99,449	(18,359)	42,899	8,112
Effect of exchange rate changes on cash and cash equivalents	(1,488)	(13,799)	(83)	1,542	(13,828)
Net increase in cash and cash equivalents	11,058	10,089	3,381	--	24,528
Cash and cash equivalents, beginning of year	(74)	12,376	7,213	--	19,515
Cash and cash equivalents, end of year	$ 10,984	$ 22,465	$ 10,594	$ --	$ 44,043

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF CASH FLOW
FOR THE FISCAL YEAR ENDED APRIL 24, 1999
(IN THOUSANDS)

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Operating activities:					
Net income	$ 39,284	$ 40,270	$ 5,738	$(37,310)	$ 47,982
Adjustments to reconcile net income to cash provided by operating activities:					
Depreciation and amortization	2,378	6,609	599	--	9,586
Deferred tax provision	1,735	4,345	3,199	--	9,279
Allowance for doubtful accounts	(84)	(30)	(4)	--	(118)
Reserve for inventory obsolescence, other	--	2,528	(3)		2,525
Other items, net	--	153	(115)	--	38
Changes in cash due to:					
Receivables	(7,219)	1,378	(1,200)	--	(7,041)
Inventories	--	(2,476)	25	--	(2,451)
Prepaid expense	(20)	(1,141)	(293)	--	(1,454)
Due from related parties	38,317	(35,394)	770	--	3,693
Accounts payable	(288)	3,698	(327)	--	3,083
Accrued liabilities	1,003	(2,572)	(8,507)	--	(10,076)
Deferred revenue	--	(1,450)	734	--	(716)
Income taxes	(36,393)	38,362	1,602	--	3,571
Cash provided by operating activities	38,713	54,280	2,218	(37,310)	57,901
Investing activities:					
Capital expenditures	(271)	(1,612)	(591)	--	(2,474)
Other items, net	(278)	(286)	(1)	--	(565)
Cash used for investing activities	(549)	(1,898)	(592)	--	(3,039)
Financing activities:					
Net (decrease) increase in short-term borrowings	--	1,262	(406)	--	856
Payment of dividends	(5,435)	(14,446)	(3,670)	13,183	(10,368)
Payments on long-term debt	(1,081)	--	--	--	(1,081)
Net Parent (settlements) advances	(31,483)	(32,903)	3,316	23,994	(37,076)
Cash (used for) provided by financing activities	(37,999)	(46,087)	(760)	37,177	(47,669)
Effect of exchange rate changes on cash and cash equivalents	(135)	281	214	133	493
Net increase in cash and cash equivalents	30	6,576	1,080	--	7,686
Cash and cash equivalents, beginning of year	(104)	5,800	6,133	--	11,829
Cash and cash equivalents, end of year	$ (74)	$ 12,376	$ 7,213	$ --	$ 19,515

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

WEIGHT WATCHERS INTERNATIONAL, INC. AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF CASH FLOW
FOR THE FISCAL YEAR ENDED APRIL 25, 1998
(IN THOUSANDS)

	PARENT COMPANY	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Operating activities:					
Net income	$ 18,088	$ 17,932	$ 4,588	$(16,837)	$ 23,771
Adjustments to reconcile net income to cash provided by operating activities:					
Depreciation and amortization	2,390	5,764	621	--	8,775
Deferred tax provision	1,628	10,463	3,472	--	15,563
Allowance for doubtful accounts	66	(209)	--	--	(143)
Reserve for inventory obsolescence, other	--	(3,489)	--	--	(3,489)
Other items, net	(120)	139	396	--	415
Change in cash due to:					
Receivables	380	(3,069)	341	--	(2,348)
Inventories	--	982	(318)	--	664
Prepaid expense	(298)	2,091	120	--	1,913
Due from related parties	(5,092)	1,546	(5,064)	--	(8,610)
Accounts payable	(45)	(3,024)	819	--	(2,250)
Accrued liabilities	(1,311)	(5,849)	6,746	--	(414)
Deferred revenue	--	1,872	--	--	1,872
Income taxes	12,315	(10,428)	(1,240)	--	647
Cash provided by operating activities	28,001	14,721	10,481	(16,837)	36,366
Investing activities:					
Capital expenditures	(170)	(2,539)	(680)	--	(3,389)
Acquisitions, net of cash acquired	--	(1,007)	(405)		(1,412)
Other items, net	(627)	521	(15)	--	(121)
Cash used for investing activities	(797)	(3,025)	(1,100)	--	(4,922)
Financing activities:					
Net decrease in short-term borrowings	(1,250)	(133)	(791)	--	(2,174)
Payment of dividends	(5,949)	(8,378)	(1,145)	7,002	(8,470)
Payments on long-term debt	2,382	(3,750)	--	--	(1,368)
Net Parent settlements	(21,818)	(42)	(6,373)	9,603	(18,630)
Cash used for financing activities	(26,635)	(12,303)	(8,309)	16,605	(30,642)
Effect of exchange rate changes on cash and cash equivalents	(229)	689	(736)	232	(44)
Net increase in cash and cash equivalents	340	82	336	--	758
Cash and cash equivalents, beginning of year	(444)	5,718	5,797	--	11,071
Cash and cash equivalents, end of year	$ (104)	$ 5,800	$ 6,133	$ --	$ 11,829

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) on page F-1 present fairly, in all material respects, the consolidated financial position of Weight Watchers International, Inc. and its subsidiaries at December 30, 2000, April 29, 2000 and April 24, 1999, and the results of their operations and their cash flows for the eight months ended December 30, 2000 and for each of the three years in the period ended April 29, 2000, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) on page F-1, presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
New York, New York
March 2, 2001

WEIGHT WATCHERS INTERNATIONAL, INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

	Balance At Beginning of Period	Charged to Costs and Expenses	Deductions(1)	Balance at End of Period
EIGHT MONTH PERIOD ENDED DECEMBER 30, 2000				
Allowance for doubtful accounts	$ 609	$ 198	$ (10)	$ 797
Inventory reserves, other	1,557	3,993	(3,018)	2,532
FISCAL YEAR ENDED APRIL 29, 2000				
Allowance for doubtful accounts	$ 994	$ (385)	$ --	$ 609
Inventory reserves, other	1,436	3,360	(3,239)	1,557
FISCAL YEAR ENDED APRIL 24, 1999				
Allowance for doubtful accounts	$ 876	$ 118	$ --	$ 994
Inventory reserves, other	3,961	3,910	(6,435)	$ 1,436
FISCAL YEAR ENDED APRIL 25, 1998				
Allowance for doubtful accounts	$ 733	$ 143	$ --	$ 876
Inventory reserves, other	472	4,505	(1,016)	$ 3,961

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

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

WEIGHT WATCHERS INTERNATIONAL, INC.

Date: March 30, 2001

By: /s/ Linda Huett
Linda Huett
President and Director

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

Date: March 30, 2001

By: /s/ Linda Huett
Linda Huett
President and Director
(Principal Executive Officer)

Date: March 30, 2001

By: /s/ Thomas S. Kiritsis
Thomas S. Kiritsis
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: March 30, 2001

By: /s/ Raymond Debbane
Raymond Debbane
Director

Date: March 30, 2001

By: /s/ Jonas M. Faigenbaum
Jonas M. Faigenbaum
Director

Date: March 30, 2001

By: /s/ Sacha Lainovic
Sacha Lainovic
Director

Date: March 30, 2001

By: /s/ Richard Penn
Richard Penn
Director

Date: March 30, 2001

By: /s/ Christopher J. Sobecki
Christopher J. Sobecki
Director

EXHIBIT INDEX

EXHIBIT NUMBER		DESCRIPTION	PAGE
**2.	-	Recapitalization and Stock Purchase Agreement, dated July 22, 1999, among Weight Watchers International, Inc., H.J. Heinz Company and Artal International S.A. is incorporated herein by reference to Exhibit 2 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.	
**3.1	-	Amended and Restated Articles of Incorporation of Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 3.1 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.	
*3.2	-	Amended and Restated By-laws of Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 3.2 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.	
**3.3	-	Certificate of Incorporation of 58 WW Food Corp. is incorporated herein by reference to Exhibit 3.3 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.	
**3.4	-	By-laws of 58 WW Food Corp. is incorporated herein by reference to Exhibit 3.4 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.	
**3.5	-	Certificate of Incorporation of Waist Watchers, Inc. is incorporated herein by reference to Exhibit 1 filed with Amendment No. 3.5 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.	
**3.6	-	By-laws of Waist Watchers, Inc. is incorporated herein by reference to Exhibit 3.6 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.	
**3.7	-	Certificate of Incorporation of Weight Watchers Camps, Inc. is incorporated herein by reference to Exhibit 3.7 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.	
**3.8	-	By-laws of Weight Watchers Camps, Inc. is incorporated herein by reference to Exhibit 3.8 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.	
**3.9	-	Certificate of Incorporation of W.W. Camps and Spas, Inc. is incorporated herein by reference to Exhibit 3.9 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.	
**3.10	-	By-laws of W.W. Camps and Spas, Inc. is incorporated herein by reference to Exhibit 3.10 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.	
**3.11	-	Certificate of Incorporation of Weight Watchers Direct, Inc. is incorporated herein by reference to Exhibit 3.11 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.	
**3.12	-	By-laws of Weight Watchers Direct, Inc. is incorporated herein by reference to Exhibit 3.12 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.	
**3.13	-	Certificate of Incorporation of W/W Twentyfirst Corporation is incorporated herein by reference to Exhibit 3.13 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.	
**3.14	-	By-laws of W/W Twentyfirst Corporation is incorporated herein by reference to Exhibit 3.14 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005)	

as filed on March 2, 2000.

**3.15 - Certificate of Incorporation of W.W. Weight Reduction Services, Inc. is incorporated herein by reference to Exhibit 3.15 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.16 - By-laws of W.W. Weight Reduction Services, Inc. is incorporated herein by reference to Exhibit 3.16 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.17 - Certificate of Incorporation of W.W.I. European Services, Ltd. is incorporated herein by reference to Exhibit 3.17 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.18 - By-laws of W.W.I. European Services, Ltd. is incorporated herein by reference to Exhibit 3.18 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.19 - Certificate of Incorporation of W.W. Inventory Service Corp. is incorporated herein by reference to Exhibit 3.19 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.20 - By-laws of W.W. Inventory Service Corp. is incorporated herein by reference to Exhibit 3.20 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.21 - Certificate of Incorporation of Weight Watchers North America, Inc. is incorporated herein by reference to Exhibit 3.21 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.22 - By-laws of Weight Watchers North America, Inc. is incorporated herein by reference to Exhibit 3.22 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.23 - Certificate of Incorporation and Memorandum and Articles of Association of Weight Watchers UK Holdings Ltd. is incorporated herein by reference to Exhibit 3.23 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.24 - Certificate of Incorporation and Memorandum and Articles of Association of Weight Watchers International Holdings Ltd. is incorporated herein by reference to Exhibit 3.24 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.25 - Certificate of Incorporation and Memorandum and Articles of Association of Weight Watchers (U.K.) Limited is incorporated herein by reference to Exhibit 3.25 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.26 - Certificate of Incorporation and Memorandum and Articles of Association of Weight Watchers (Accessories & Publications) Ltd. is incorporated herein by reference to Exhibit 3.26 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.27 - Certificate of Incorporation and Memorandum and Articles of Association of Weight Watchers (Food Products) Limited is incorporated herein by reference to Exhibit 3.27 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.28 - Certificate of Incorporation and Constitution of Weight Watchers New Zealand Limited is incorporated herein by reference to Exhibit 3.28 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.29 - Certificate of Registration and Memorandum and Articles of Association of Weight Watchers International Pty Limited is incorporated herein by reference to Exhibit 3.29 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.30 - Certificate of Registration and Memorandum and Articles of Association of Fortuity Pty Ltd. is incorporated herein by reference to Exhibit 3.30 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**3.31 - Certificate of Registration and Memorandum and Articles of Association of Gutbusters Pty Ltd. is incorporated herein by reference to Exhibit 3.31 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005)

as filed on March 2, 2000.

**4.1 - Dollar Securities Indenture, dated as of September 29, 1999, between Weight Watchers International, Inc. and Norwest Bank Minnesota, National Association is incorporated herein by reference to Exhibit 4.1 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**4.2 - Guarantee Agreement, dated as of March 3, 2000, given by 58 WW Food Corp., Waist Watchers, Inc., Weight Watchers Camps and Spas, Inc., Weight Watchers Direct, Inc., W/W Twentyfirst Corporation, W.W. Weight Reductions Services, Inc., W.W.I. European Services, Ltd., W.W. Inventory Service Corp., Weight Watchers North America, Inc., Weight Watchers UK Holdings Ltd., Weight Watchers International Holdings, Ltd., Weight Watchers U.K. Limited , Weight Watchers (Accessories & Publications) Ltd., Weight Watchers (Food Products) Limited, Weight Watchers New Zealand Limited, Weight Watchers International Pty Limited, Fortuity Pty Ltd. and Gutbusters Ltd. is incorporated herein by reference to Exhibit 4.2 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**4.3 - Euro Securities Indenture, dated as of September 29, 1999, between Weight Watchers International Inc. and Norwest Bank Minnesota, National Association is incorporated herein by reference to Exhibit 4.3 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**4.4 - Guarantee Agreement, dated as of March 3, 2000, given by 58 WW Food Corp., Waist Watchers, Inc., Weight Watchers Camps and Spas, Inc., Weight Watchers Direct, Inc., W/W Twentyfirst Corporation, W.W. Weight Reductions Services, Inc., W.W.I. European Services, Ltd., W.W. Inventory Service Corp., Weight Watchers North America, Inc., Weight Watchers UK Holdings Ltd., Weight Watchers International Holdings, Ltd., Weight Watchers U.K. Limited , Weight Watchers (Accessories & Publications) Ltd., Weight Watchers (Food Products) Limited, Weight Watchers New Zealand Limited, Weight Watchers International Pty Limited, Fortuity Pty Ltd. and Gutbusters Ltd. is incorporated herein by reference to Exhibit 4.4 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.1 - Credit Agreement, dated as of September 29, 1999, among Weight Watchers International, Inc., WW Funding Corp.., Credit Suisse First Boston, BHF (USA) Capital Corporation, The Bank of Nova Scotia and various financial institutions is incorporated herein by reference to Exhibit 10.1 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.2 - Preferred Stock Stockholders' Agreement, dated as of September 29, 1999, among Weight Watchers International, Inc., Artal Luxembourg S.A. and H.J. Heinz Company is incorporated herein by reference to Exhibit 10.2 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.3 - Stockholders' Agreement, dated as of September 29, 1999, among Weight Watchers International, Inc., Artal Luxembourg S.A. and H.J. Heinz Company is incorporated herein by reference to Exhibit 10.3 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.4 - License Agreement, dated as of September 29, 1999, between WW Foods, LLC and Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 10.4 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.5 - License Agreement, dated as of September 29, 1999, between Weight Watchers International, Inc. and H.J. Heinz Company is incorporated herein by reference to Exhibit 10.5 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.6 - License Agreement, dated as of September 29, 1999, between WW Foods, LLC and H.J. Heinz Company is incorporated herein by reference to Exhibit 10.6 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.7 - LLC Agreement, dated as of September 29, 1999, between H.J. Heinz Company and Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 10.7 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.8 - Operating Agreement, dated as of September 29, 1999, between Weight Watchers International, Inc. and H.J. Heinz Company is incorporated herein by reference to Exhibit 10.8 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.9 - Subscription Agreement, dated as of September 29, 1999, among WeightWatchers.com, Inc., Weight Watchers International, Inc., Artal Luxembourg S.A. and H.J. Heinz Company is incorporated herein by reference to Exhibit 10.9 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.10 - Registration Rights Agreement, dated September 29, 1999, among WeightWatchers.com, Weight Watchers International, Inc., H.J. Heinz

Company and Artal Luxembourg S.A. is incorporated herein by reference to Exhibit 10.10 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.11 - Stockholders' Agreement, dated September 29, 1999, among WeightWatchers.com, Weight Watchers International, Inc., Artal Luxembourg S.A., H.J. Heinz Company is incorporated herein by reference to Exhibit 10.11 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.12 - Letter Agreement, dated as of September 29, 1999, between Weight Watchers International, Inc. and The Invus Group, Ltd. is incorporated herein by reference to Exhibit 10.12 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.13 - Agreement of Lease, dated as of August 1, 1995, between Industrial & Research Associates Co. and Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 10.13 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.

**10.14	-	Lease Agreement, dated as of April 1, 1997, between Junto Investments and Weight Watchers North America, Inc. is incorporated herein by reference to Exhibit 10.14 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.
**10.15	-	Lease Agreement, dated as of August 31, 1995, between 89 State Line Limited Partnership and Weight Watchers North America, Inc. is incorporated herein by reference to Exhibit 10.15 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.
**10.16	-	Employment Agreement, dated as of August 30, 1996, between Weight Watchers International, Inc. and Robert Mallow is incorporated herein by reference to Exhibit 10.16 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.
**10.17	-	Weight Watchers Savings Plan, dated as of October 3, 1999 is incorporated herein by reference to Exhibit 10.17 filed with Registrant's Annual Report on Form 10-K for the fiscal year ended April 29, 2000.
**10.18	-	Weight Watchers Executive Profit Sharing Plan, dated as of October 4, 1999 is incorporated herein by reference to Exhibit 10.18 filed with Registrant's Annual Report on Form 10-K for the fiscal year ended April 29, 2000.
**10.19	-	1999 Stock Purchase and Option Plan of Weight Watchers International, Inc. and Subsidiaries is incorporated herein by reference to Exhibit 10.19 filed with Registrant's Annual Report on Form 10-K for the fiscal year ended April 29, 2000.
**10.20	-	Weight Watchers.com Stock Incentive Plan of Weight Watchers International, Inc. and Subsidiaries is incorporated herein by reference to Exhibit 10.20 filed with Registrant's Annual Report on Form 10-K for the fiscal year ended April 29, 2000.
**10.21	-	Warrant Agreement, dated as of October 1, 2000 between WeightWatchers.com, Inc. and Weight Watchers International, Inc. is incorporated by reference to Exhibit 10.2 filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 28, 2000.
**10.22	-	Warrant Certificate Weightwatchers.com, Inc. No. 02, dated is incorporated by reference to Exhibit 10.2 filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended October 28, 2000.
*12.1	-	Computation of Ratio of Earnings to Fixed Charges.
*12.2	-	Computation of Pro Forma Ratio of Earnings to Fixed Charges.
**21	-	Subsidiaries of Weight Watchers International, Inc. is incorporated herein by reference to Exhibit 21 filed with Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (File No. 333-92005) as filed on March 2, 2000.
*27.1	-	Financial Data Schedules.

* Filed herewith.

** Previously filed.

EXHIBIT 12.1 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Eight Month Period Ended December 30, 2000	Fiscal Year Ended April 29, 2000	April 24, 1999	April 25, 1998
Earnings				
Income (loss) before income taxes and minority interests	21.0	66.9	85.8	44.5
Interest expense	39.0	36.9	8.9	8.6
Amortization of deferred financing costs	1.3	1.1		
Rental expense interest component	2.7	3.4	3.7	4.1
Earnings	64.0	108.3	98.4	57.2
Fixed Charges:				
Interest expense	(39.0)	(36.9)	(8.9)	(8.6)
Amortization of deferred financing costs	(1.3)	(1.1)		
Rental expense interest component	(2.7)	(3.4)	(3.7)	(4.1)
Fixed charges	(43.0)	(41.4)	(12.6)	(12.7)
Ratio of earnings to fixed charges	1.5	2.6	7.8	4.5

Footnotes

The data above sets forth the ratio of earnings to fixed charges of Weight Watchers International, Inc. and Subsidiaries ("WWI") for the eight month period ended December 30, 2000, and the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998.

The data for the eight month period ended December 30, 2000, and the fiscal years ended April 29, 2000, April 24, 1999 and April 25, 1998 is derived from the audited historical financial statements, included elsewhere in this

document.

EXHIBIT 12.2 COMPUTATION OF PRO FORMA RATIO OF EARNINGS TO FIXED CHARGES

	Fiscal Year Ended	
	April 29, 2000	April 24, 1999
Earnings		
Income (loss) before income taxes and minority interests	52.6	28.1
Interest expense	58.2	55.5
Amortization of deferred financing costs	1.9	2.1
Rental expense interest component	3.4	3.7
Earnings	116.1	89.4
Fixed Charges:		
Interest expense	58.2	55.5
Amortization of deferred financing costs	1.9	2.1
Rental expense interest component	3.4	3.7
Fixed charges	63.5	61.3
Ratio of earnings to fixed charges	1.8	1.5

ARTICLE 5

PERIOD TYPE	8 MOS
FISCAL YEAR END	DEC 30 2000
PERIOD START	APR 30 2000
PERIOD END	DEC 30 2000
CASH	44,501
SECURITIES	0
RECEIVABLES	15,475
ALLOWANCES	797
INVENTORY	15,044
CURRENT ASSETS	93,440
PP&E	51,151
DEPRECIATION	43,006
TOTAL ASSETS	346,217
CURRENT LIABILITIES	83,241
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	25,996
COMMON	0
OTHER SE	222,778
TOTAL LIABILITY AND EQUITY	346,217
SALES	273,175
TOTAL REVENUES	273,175
CGS	139,283
TOTAL COSTS	198,491
OTHER EXPENSES	16,536
LOSS PROVISION	198
INTEREST EXPENSE	40,244
INCOME PRETAX	21,023
INCOME TAX	5,857
INCOME CONTINUING	19
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	19
EPS BASIC	0
EPS DILUTED	0

End of Filing

Powered By EDGAR Online

© 2005 | EDGAR Online, Inc.