

POPEYES®

LOUISIANA KITCHEN





Experience Louisiana *Fast*

At Popeyes®, we're all about the food. Distinctive, flavorful Louisiana recipes. For lunch, dinner, or in-between. Dine in, take out, or drive-thru. The food you crave at prices that fit your budget. It is a commitment that becomes even more important in these economic times.

When it comes to the world's favorite foods, chicken and seafood are among the proteins of choice. And guess what kind of preparation leads the way in consumer choices? Golden, crispy chicken served by the piece, in bites, nuggets, sandwiches, and wraps, together with beautifully battered premium seafood.

This is exactly what you'll find at Popeyes. More than just what we make, it's how we make it: slow-cooked food for your fast-paced life. Our signature bone-in Bonafide™ chicken is freshly prepared, marinated for 12 hours in Louisiana seasonings, then hand-battered and precisely cooked to a golden brown. That's what makes us famous. We start cooking before you wake up...so that you can still eat the kind of food you want but no longer have time to prepare.



*John Brodersen
2008 Popeyes Developer of the Year
Owns and operates restaurants in Detroit, Milwaukee and Puerto Rico*

Something for everyone, everywhere

The complexity of our flavors, the lightness of our crispy coatings, and the overall slow-cooked taste of our quick-serve meals are sought after the world over. Today, you can buy the same Popeyes Louisiana-inspired chicken and seafood meals in Bahrain and in Singapore, as you can in Atlanta or New York City. And we proudly feed those who serve our country at more than 40 restaurants on military bases around the world.

Our guests tell us our food is superior to other quick-service restaurants, thanks to distinctive ingredients, flavors, and cooking methods that bring the authentic culinary experience of the Louisiana Gulf Coast to the world. Men and women, young and old, and people from all cultures love our tasty meals.

Our franchisees own and operate more than 97 percent of the Popeyes restaurants. For over 35 years they have invested their time, money and their livelihoods in Popeyes. Over the past three years our franchisees have built 397 new Popeyes restaurants globally, further evidence of their commitment to the brand.

Our investors appreciate the inherent stability in our franchise operating model. In the future, we see significant upside restaurant growth potential, with room to more than double in size in the U.S. and around the globe.



See what's new on the menu

In 2008 we transformed the Popeyes brand, catering to consumers' ever-changing needs without compromising the authentic heritage and flavor that keeps Popeyes guests coming back.

We launched three new permanent menu platforms to serve our guests' need for value, lunch, and portable food. We now have something for everyone—just right for lunch, dinner, afternoon or late-night snacking. Our guests can enjoy the famous flavors of Popeyes whether they dine in, take out, or pick up meals at our drive-thru windows.

The new additions to our menu are:

- **Popeyes® Big Easys**—big portions, big flavor, and easy to eat, with a name that reinforces our heritage by borrowing New Orleans' "The Big Easy" nickname. Both our Big Easy Chicken Bowl and Big Easy Chicken Sandwich are sure to become new favorites with Popeyes guests.
- **Louisiana Travelers™**—portable meals for today's on-the-go lifestyle. Louisiana Nuggets and Louisiana Tenders (flavorful, premium, white-meat chicken) are great traveling companions for kids and adults alike.
- **Popeyes® Big Deals**—value-priced without sacrificing flavor. The toughest choice our guests will have is deciding between the Loaded Chicken Wrap, Delta Mini, and Chicken Biscuit.





Telling the world

In concert with our new menu items, we made a bold shift to national cable advertising to drive traffic to Popeyes restaurants. National cable delivers more than twice the media weight as local market television, helping us to expand our media reach and build both awareness and trial of our new products across the country.

Additionally, we consolidated seven regional advertising agencies to one national agency, and we created our food-focused Louisiana *Fast* campaign.

The new brand graphics you see on our packaging and restaurant point-of-purchase materials reflect our fresh and contemporary look for today's fast food consumer.

Our people are distinctive, too

John Brodersen was named Popeyes "Developer of the Year" in 2008 for his innovative approach to growing his franchise in unexpected ways. He does his homework, crunches the numbers, and has an uncanny knack for recognizing potential in people and in business opportunities. John enjoys the challenge of running restaurants in densely populated urban areas. He has a talented and experienced team of restaurant operators. He opened his first location in Milwaukee, Wisconsin, in 1989, and has since moved into Detroit, Michigan, and most recently, Puerto Rico. Since

buying the franchising rights in Puerto Rico in 2005, John has already opened seven high-volume restaurants. As John sees it, there's a perfect fit between his passion for high-volume urban markets and the guests' love of Popeyes chicken. "A match made in heaven," he says.

Cristina Ramirez is a Popeyes 2008 Gold Plate winner, as general manager for a top-performing franchise restaurant in Dallas, Texas. She set her sights on the target of winning the award a year ago and never lost focus. As someone who has worked her way up—from prep to cooking, packaging, and then management—she has an intimate understanding of the vital role played by each of her team members. The key, she says, is treating customers as she likes to be treated. "I focus on service and food quality. These are the most important things to worry about—and to get people to come back. We want them to leave happy, so that they're happy to come back."





*Cristina Ramirez
2008 Gold Plate Recipient—Domestic
General Manager—Dallas, TX*

“We rolled out our Road Map for the Future as a strategic framework for strengthening our franchise business model to deliver more consistent growth and stronger shareholder returns.”



Cheryl A. Bachelder
Chief Executive Officer, AFC Enterprises, Inc.
President, Popeyes® Louisiana Kitchen

To Our Stakeholders

We are building the Popeyes brand to its full potential, aiming to claim a top spot in the minds and stomachs of a public hungry for chicken and seafood.

Our veteran and credentialed leadership team came together in 2008, and we welcomed Richard Lynch as Chief Marketing Officer and Ralph Bower as Chief Operations Officer. Collectively, our senior management team has more than 70 years of hands-on experience within the Quick Service Restaurant (QSR) industry.

We rolled out our Road Map for the Future as a strategic framework for strengthening our franchise business model to deliver more consistent growth and stronger shareholder returns. While our 2008 domestic same-store sales fell short of our goals, our international restaurants enjoyed a good year in both same-store sales and unit growth. We met our earnings expectations, at \$0.76 per diluted share, and exceeded our guidance on restaurant openings, with 140 new restaurants globally.

The following four pillars of our Road Map are helping us drive more guest traffic and grow market share in the intensely competitive QSR market segment.

1 Building a distinct, relevant brand Invite the guest, drawing in more people at more times throughout the day

We have seized the opportunity to capitalize on what makes Popeyes distinctive: our Louisiana heritage, and our guests' preference for our food.

We have repositioned Popeyes as a “Louisiana Kitchen,” where slow cooking—such as marinating chicken for 12 hours—imparts authentic tastes of the region. Our “Louisiana Fast” theme conveys the paradox of slow-cooked food, in a quick-service format, designed for consumers' fast-paced lifestyle.

In 2008, we launched the Bonafide™ brand for our core bone-in chicken, added three new menu platforms featuring seven new products, and refreshed our logo for a more contemporary feel, with new tagline, advertising, and menu boards.

Our new menu items fill the guests' ever-changing needs for value, portability, and lunch choices. Popeyes® Big Easys—referring both to portion size and New Orleans' nickname—deliver a premium sandwich and delicious chicken rice bowl full of flavor. Louisiana Travelers™ are chicken Nuggets and Tenders that can be enjoyed on the go, either by hungry kids or as a quick meal or snack for adults on a busy day. Popeyes® Big Deals offer a Loaded Chicken Wrap, Delta Mini sandwich, and Chicken Biscuit at a price point especially suited to today's cost-conscious consumer.

Our 2009 promotions, designed to build guest traffic and increase market share over time, will continue to offer superior Popeyes food while providing our guests with more compelling everyday value. Through in-market testing, we have identified an arsenal of new ways to deliver value in both national and local market messages.



Running great restaurants

Delight the guest with a superior experience, encouraging return visits

To build a strong foundation for continued growth, we have to delight our guests and bring them back more often. So we are improving the quality of our operations and focusing on running great restaurants. To find out how we're doing, we ask those who know firsthand—our guests.

Our philosophy is “You move what you measure,” and in 2008 we initiated a Guest Experience Monitor program, or GEM. While the experience is fresh in their minds, guests use their phones to participate in an interactive survey. GEM has been initiated at virtually all domestic restaurants in our system. A monthly report goes directly to each location so restaurant general managers and franchisees can see the level of satisfaction among their own customers.

The strongest GEM scores have been for Popeyes food—quality, temperature, taste—our strongest suit. Now we're working to match those results with improved marks for service, making the speed, accuracy, and hospitality of our restaurants every bit as distinctive as our food.

We're implementing the right operational tools, technologies, and training across the Popeyes system to help our operators run the best restaurants possible. We've increased the frequency of our in-restaurant assessments and initiated a new scorecard to benchmark each restaurant's performance on national, regional, and market levels. These are the tools that will drive improved performance.

And speaking of driving, by speeding service at our drive-thru windows, we have a major opportunity to better our guests' experience and get more sales faster during peak hours. In 2009, we expect to complete the system-wide implementation of drive-thru headsets and timers, essential equipment for delivering speed of service.



Growing profitably

Make money and build more restaurants with strong returns to every stakeholder

Now more than ever, we are filling a crucial role in helping restaurant managers and franchisees improve profitability in their stores. Our “Finding Your 2 Percent” initiative shows restaurant operators how to improve margins by either cutting costs or boosting sales. We've provided a workbook for every restaurant operator that addresses every line item of the Operations financial statement. Our web-based portal helps in managing food costs, and we've implemented a new process to improve cooking-oil efficiency while keeping product quality high. We're also focused on leveraging our buying power with a strategic supply chain that provides better pricing for our restaurants.

On the corporate level, we're managing our finances conservatively. We've tightened our general and administrative expenditures to mission-critical initiatives

and made debt repayment a priority. Our highly franchised business model provides a steady cash flow stream with low capital requirements. It's a model that yields financial flexibility and stability for us and our investors, with good opportunity for our franchisees.

When it comes to building more restaurants, the work we're doing to revamp development tools and processes should improve the returns Popeyes delivers to owners. We're using consumer and real estate data to build a sophisticated site modeling tool for the Popeyes system. We expect this predictive approach to better our results in the marketplace as we work closely with our growth franchisees to build new units.



Aligning people and resources

Develop a culture of partnering to deliver results across the Popeyes franchise system

We are continuing to build a solid relationship with our franchise owners—one based on trust, honest dialog, and winning together. Of all the actions we've taken, the most important is collaborating to move guest traffic and sales while we tackle issues of restaurant-level profitability.

Today, we have a stronger relationship with our franchisees, as we invest in strengthening the brand and establishing a firm foundation for growth. We turned to national cable advertising to engage consumers through better branding and more menu choices. We also provided new tools and field operations support to improve the guest experience and restaurant profitability.

As we align our people and resources to deliver results, we are focusing on those few big things where we can make the most difference.

In a year like 2008, when the economic environment changed dramatically, we remained consistent and stable in pursuing our Road Map for the Future. I am proud of the entire Popeyes team for their commitment and impact. I am appreciative of the efforts our restaurant operators make to bring the Popeyes brand to life for the guest, day in and day out.

As we navigate through another challenging year, we will continue to execute our strategic plan with an emphasis on providing compelling value, improving the guest experience and strengthening restaurant profitability. I believe that our superior food matched with greater QSR value and service will be the recipe for our success. Further, I am confident that Popeyes will emerge from these times a stronger brand, delivering consistent growth and quality shareholder returns. I thank you for your commitment to Popeyes—and to Louisiana *Fast* and flavorful food.

Sincerely,

Cheryl A. Bachelder

CEO, AFC Enterprises, Inc.

President, Popeyes® Louisiana Kitchen

Financial Highlights & Key Operational Metrics⁽¹⁾

(Dollars in millions, except per common share data)	2008	2007	2006
Franchise revenues	\$ 84.6	\$ 82.8	\$ 82.6
Total revenues ⁽¹⁾	\$ 166.8	\$ 167.3	\$ 153.0
Net income ⁽²⁾	\$ 19.4	\$ 23.1	\$ 22.4
Earnings per common share, diluted ⁽³⁾	\$ 0.76	\$ 0.80	\$ 0.75
EBITDA ^(4,6)	\$ 46.6	\$ 52.5	\$ 51.9
EBITDA margin ^(4,6)	27.9%	31.4%	33.9%
Free cash flow ^(5,6)	\$ 26.2	\$ 28.5	\$ 29.4
Global system-wide sales growth ⁽⁷⁾	0.6%	0.3%	7.0%
Domestic system-wide same-store sales growth	(2.2)%	(2.3)%	1.6%
Global system-wide same-store sales growth	(1.7)%	(2.0)%	1.1%
New restaurant openings	140	124	142
Total restaurants	1,922	1,905	1,878

(1) Additional information concerning financial performance can be found in AFC's Consolidated Financial Statements, Selected Financial Data and Management's Discussion & Analysis of Financial Condition and Results of Operations in the 2008 Annual Report on Form 10-K, including, without limitation, information in Item 6 of the financial statements related to total revenues.

(2) Discontinued operations provided after-tax income of \$0.2 million in 2006.

(3) Weighted average common shares for the computation of diluted earnings per common share were 25.7 million, 28.8 million and 29.8 million for 2008, 2007 and 2006, respectively.

(4) EBITDA margin is an expression of EBITDA as a percentage of total revenues. The following table reconciles on a historical basis for 2008, 2007 and 2006, the Company's earnings before interest expense, taxes, depreciation and amortization ("EBITDA") on a consolidated basis to the line on our consolidated statements of operations entitled net income, which we believe is the most directly comparable GAAP measure on our consolidated statements of operations to EBITDA and provides the calculation of EBITDA margin:

(Dollars in millions)	2008	2007	2006
Net income	\$ 19.4	\$ 23.1	\$ 22.4
Interest expense, net	\$ 8.1	\$ 8.7	\$ 11.1
Income tax expense	\$ 12.8	\$ 13.8	\$ 12.0
Depreciation and amortization	\$ 6.3	\$ 6.9	\$ 6.4
EBITDA	\$ 46.6	\$ 52.5	\$ 51.9
Total revenues	\$166.8	\$167.3	\$153.0
EBITDA margin	27.9%	31.4%	33.9%

(5) The following table reconciles on a historical basis for 2008, 2007 and 2006, the Company's free cash flow on a consolidated basis to the line on our consolidated statements of operations entitled net income, which we believe is the most directly comparable GAAP measure on our consolidated statements of operations to free cash flow:

(Dollars in millions)	2008	2007	2006
Net income	\$ 19.4	\$ 23.1	\$ 22.4
Depreciation and amortization	\$ 6.3	\$ 6.9	\$ 6.4
Stock-based compensation expense	\$ 2.5	\$ 1.7	\$ 3.4
Maintenance capital expenses	\$ (2.0)	\$ (3.2)	\$ (2.8)
Free cash flow	\$ 26.2	\$ 28.5	\$ 29.4

Cautionary Note Regarding Forward-Looking Statements

Forward-Looking Statements: Certain statements in this Annual Report contain "forward-looking statements" within the meaning of the federal securities laws. Statements regarding future events and developments and our future performance, as well as management's current expectations, beliefs, plans, estimates or projections relating to the future, are forward-looking statements within the meaning of these laws. These forward-looking statements are subject to a number of risks and uncertainties. Examples of such statements in this Annual Report include discussions regarding the Company's planned implementation of its new strategic plan, projections and expectations regarding same-store sales for fiscal 2009 and beyond, the Company's ability to improve restaurant-level margins, guidance for new openings and restaurant closures, and the Company's anticipated 2009 performances including projections regarding general and administrative expenses, net earnings per diluted share, EBITDA margins and free cash flows and similar statements of belief or expectation regarding future events. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: competition from other restaurant concepts and food retailers, disruptions in the financial markets, the loss of franchisees and other business partners, labor shortages or increased labor costs, increased costs of our

principal food products, changes in consumer preferences and demographic trends, as well as concerns about health or food quality, instances of avian flu or other food-borne illnesses, general economic conditions, the loss of senior management and the inability to attract and retain additional qualified management personnel, limitations on our business under our 2005 Credit Facility, our ability to comply with the repayment requirements, covenants, tests and restrictions contained in the 2005 Credit Facility, our ability to refinance our outstanding indebtedness, failure of our franchisees, a decline in the number of franchised units, a decline in our ability to franchise new units, slowed expansion into new markets, unexpected and adverse fluctuations in quarterly results, increased government regulation, adverse effects of regulatory actions arising in connection with the restatement of our previously issued financial statements, effects of volatile gasoline prices, supply and delivery shortages or interruptions, currency, economic and political factors that affect our international operations, inadequate protection of our intellectual property and liabilities for environmental contamination and the other risk factors detailed in our 2008 Annual Report on Form 10-K and other documents we file with the Securities and Exchange Commission. Therefore, you should not place undue reliance on any forward-looking statements.

Board of Directors

John M. Cranor, III

Chairman: AFC Enterprises, Inc.
Director since: 2006 Age: 62

Victor Arias, Jr.

Senior Client Partner:
Korn/Ferry International
Director since: 2001 Age: 52

Cheryl A. Bachelder

Chief Executive Officer:
AFC Enterprises, Inc.
Director since: 2006 Age: 52

Carolyn Hogan Byrd

Founder, Chair &
Chief Executive Officer:
GlobalTech Financial, LLC
Director since: 2001 Age: 60

John F. Hoffner

Director: AFC Enterprises, Inc.
Director since: 2006 Age: 61

R. William Ide, III

Partner: McKenna Long &
Aldridge, LLP
Director since: 2001 Age: 69

Kelvin J. Pennington

President: Pennington Partners & Co.
Director since: 1996 Age: 50

Shareholder Information

Principal Office

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Atlanta, GA 30342
404-459-4450

Stock Transfer Agent

Computershare Trust Company, N.A.
P. O. Box 43078
Providence, RI 02940-3078
800-962-4284
www.computershare.com

Other Information

The Company's press releases, annual reports and other information can be accessed through the Company's website: www.afce.com

Annual Meeting

AFC's 2009 Annual Meeting will be held at:
Hilton Garden Inn—Atlanta
Perimeter Center
1501 Lake Hearn Drive
Atlanta, GA 30319
8:30 AM ET, May 19, 2009
404-459-0500

Form 10-K

The Company's 2008 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is being delivered with this Letter to Our Stakeholders.

Copies of the Annual Report on Form 10-K are also available without charge upon written request to:

AFC Enterprises, Inc.
5555 Glenridge Connector NE
Suite 300
Atlanta, GA 30342
Attn: Investor Relations
www.investor.afce.com

