40 years...
and we’re still cookin’
OVER 300 YEARS AGO, SEVEN DISTINCTIVE CULINARY TRADITIONS CAME TOGETHER TO CREATE THE UNIQUELY AMERICAN CUISINE: LOUISIANA COOKING.

NOW WE’RE SERVING IT UP LIKE NOBODY ELSE CAN. CAREFULLY BLENDING OUR OWN SPICES AND SEASONINGS, HAND BATTERING OUR FAMOUS BONAFIDE® CHICKEN AND TENDERLY COOKING EVERY DELICIOUS BITE LONG, SLOW AND EASY — WITH A LOT OF HEART. ALL TO GIVE YOU AN INCREDIBLY RICH AND SOUL-SATISFYING TASTE OF HISTORY!
Serving up results like nobody else

AFC Enterprises, Inc. (NASDAQ: AFCE) is the franchisor and operator of Popeyes® restaurants, the world’s second-largest quick-service chicken concept based on number of units. Founded in 1972, Popeyes is a growing global brand, bringing the flavor and festivals of Louisiana to people in 45 states across America, 25 countries, and three territories: Guam, Puerto Rico, and the Cayman Islands. The passion that Popeyes guests have for our bold, distinctive food is the same passion that over 345 franchisees have for the brand. The Popeyes brand offers restaurant owners an excellent investment opportunity backed by exceptional franchisee support systems and services. For AFCE investors, we believe the Popeyes highly franchised business model provides strong, stable cash flows, a solid balance sheet, a diversified revenue stream, and significant opportunities for restaurant growth.

Financial Highlights & Key Operational Metrics(1)

(Dollars in millions, except per common share data)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchise revenues</td>
<td>$95.0</td>
<td>$89.4</td>
<td>$86.0</td>
</tr>
<tr>
<td>Total revenues(1)</td>
<td>$153.8</td>
<td>$146.4</td>
<td>$148.0</td>
</tr>
<tr>
<td>Net income</td>
<td>$24.2</td>
<td>$22.9</td>
<td>$18.8</td>
</tr>
<tr>
<td>Earnings per common share, diluted(2)</td>
<td>$0.97</td>
<td>$0.90</td>
<td>$0.74</td>
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<tr>
<td>Adjusted earnings per common share, diluted(3,6)</td>
<td>$0.99</td>
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<td>$0.74</td>
</tr>
<tr>
<td>Operating EBITDA(4,6)</td>
<td>$45.4</td>
<td>$45.3</td>
<td>$41.0</td>
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<tr>
<td>Operating EBITDA margin(4,6)</td>
<td>29.5%</td>
<td>30.9%</td>
<td>27.7%</td>
</tr>
<tr>
<td>Free cash flow(5,6)</td>
<td>$28.5</td>
<td>$26.3</td>
<td>$23.7</td>
</tr>
<tr>
<td>Global system-wide sales growth(7)</td>
<td>6.6%</td>
<td>5.1%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Domestic system-wide same-store sales growth</td>
<td>3.0%</td>
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<tr>
<td>International system-wide same-store sales growth</td>
<td>3.3%</td>
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<td>1.9%</td>
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<tr>
<td>Global system-wide same-store sales growth</td>
<td>3.1%</td>
<td>2.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>New restaurant openings</td>
<td>140</td>
<td>106</td>
<td>95</td>
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<tr>
<td>Total restaurants</td>
<td>2,035</td>
<td>1,977</td>
<td>1,943</td>
</tr>
</tbody>
</table>

See page 8 for definitions, computations, and reconciliations to GAAP measures.

Serving it up by design

Popeyes has grown over the past 40 years by creating a distinctive, relevant brand and an attractive franchise model that delivers results for restaurant owners and AFCE investors. In 2008, we established a Strategic Road Map for Results to re-energize Popeyes, with four pillars to guide our decision making. We’ve been serving up industry-leading innovation and performance improvements ever since.

We follow a disciplined approach that addresses all the elements of a great restaurant company:

- Superior affordable food so good you can’t wait to eat at Popeyes
- Service so good you can’t wait to come back to Popeyes
- Profits so good that you are thrilled to own a Popeyes
- Returns so good you can’t wait to build more Popeyes
There is a special ingredient in every memorable recipe for which there is no substitute. For Popeyes, that special ingredient is our Louisiana heritage. It infuses everything about the brand – from our bold, flavorful food to the festivals and zest for life that is ever present in Louisiana. This heritage has become the lens through which every innovation and initiative is evaluated and measured.

Annie, our beloved spokesperson, adds spice and authenticity to the brand in national advertising and marketing materials. Her persona demands attention, and she clearly resonates with our guests. Powered by national advertising, our commercials are drawing guests into Popeyes restaurants and distinguishing us from the competition.

Our guests come to our restaurants for the bold flavor of our core menu, and they are just as delighted with our new product innovation. Wicked Chicken, introduced in 2010, was the most successful product launch in Company history. Last year, it won the 2011 MenuMasters Award for Best Limited Time Offer. Rip’n Chick’n, introduced in 2011, was our most successful local Limited Time Offer. Dip’n Chick’n, also introduced in 2011, was our most successful boneless promotion. Our 2pc/8pc Bonafide® chicken offer was our most successful value promotion. With each promotion, we are raising the bar, drawing on innovation in the kitchen and in our marketing strategy to deliver solid results.

In 2011, we expanded our menu to include Louisiana Leaux™ and a Get Up & Geaux!™ Kids Meal. By adding Naked Chicken Tenders, green beans, and apple sauce to our menu, we gave our guests reduced calorie/fat/sodium alternatives. We celebrated the launch of these menu additions with a dancing-in-the-streets celebration held in the New Orleans French Quarter.

After 40 years, we’re still cooking in our Louisiana kitchen – and throughout 2012 we’ll be rolling out a new look to Popeyes Louisiana Kitchen restaurants. This fresh image communicates both Louisiana and premium-quality food while adding a relevant and contemporary appearance. Taken together, our heritage, our food, our marketing, and our new restaurant image make Popeyes a distinct brand with plenty of growth opportunity.

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Run Great Restaurants

“In this competitive environment, we must continually be on top of the competition if we are to succeed with the value-driven mindset consumers have. And value is so much more than just price. Our unique food, presented quickly by a friendly crew, is what we strive for on a shift-by-shift basis.”

— Scott Stockton
Vice President of Operations, POP Investments; 72 Popeyes in Texas, Oklahoma, and Florida

A great restaurant company requires more than just exceptional food. It requires an exceptional guest experience. Since putting our Strategic Road Map for Results in place, we’ve worked to build a culture dedicated to achieving operating excellence at each and every restaurant, making our service as good as our food. We want everyone to focus on doing the right things, doing them well, and serving our guests Louisiana Fast™. This means providing our guests with an overall authentic, friendly, and memorable experience so good they’ll want to return again and again.

We are deliberate in our efforts to deliver excellent service, and we are data-driven in our measurement of success. We use a balanced scorecard that encompasses critical aspects of the business, from guest satisfaction to talent and training, and same-store sales to profitability.

At the heart of the scorecard is our “GEM” – Guest Experience Monitor – that encourages guests to provide immediate feedback about their visit through a brief interactive survey. Tracking this data enables management to make smart, fact-based decisions and identify areas of greatest opportunity.

Since the GEM rollout to domestic restaurants, scores have improved significantly across all categories: “Percent Delighted,” “Intent to Return,” and “Speed of Service.” Our guests have never been more satisfied, and we have never been more determined to drive these scores even higher – especially at the drive-thru window.

One of the greatest indicators of guest satisfaction is speed of service. Headsets and timer equipment are now standard throughout the system, and we use clear metrics to measure performance. With the vast majority of restaurants reporting drive-thru service times, improving speed of service has become entrenched in our restaurant culture. By year-end 2011, over 75 percent of all reported drive-thru system transactions were achieving three minutes or less total service time.

Internationally, GEM was in 48 percent of all restaurants at year-end 2011. It will be rolled out to additional countries in 2012 and, in similar fashion to the domestic system, it is becoming a key measurement tool for international performance.
We are passionate about the success of our franchisees – they are our customers at AFC Enterprises. Our ability to provide exceptional marketing programs and franchisee support enhances their ability to make money. So we partner alongside our franchisees, with cross-functional brand and field support teams and with Supply Management Services, Inc., our supply chain purchasing cooperative, to focus on growing profits at the restaurant level.

While growing top line sales is the fastest way to grow restaurant profits, we also remain intent on cutting costs to benefit the bottom line. Our strategies include reducing costs both inside and outside the four walls of the restaurant.

In 2011, higher commodity costs challenged restaurant profits – for Popeyes and the industry – and we redoubled our focus on cost reduction measures. To drive costs out of the restaurants, we continue to lower costs of goods and services coming into the restaurants. By securing national supply chain savings, adding national procurement programs, and partnering with our suppliers to control delivered costs, our teams delivered 0.5 percentage points in cost savings to the average restaurant bottom line.

We also work to reduce costs incurred inside the four walls of the restaurants through benchmarking performance, and by using the right processes and tools. Partnering with a third-party “software as a service” provider, we have developed, piloted, and are rolling out a standardized approach for back-of-house business processes that supports our efforts to drive waste and costs from restaurant operations.

Our franchisees are extraordinary people, and we continue to coach, train, and develop them and their crews to achieve superior results. Our aim is to help franchisees attract, develop, motivate, and retain employees to provide guests with exceptional and distinctive service. When we bring our franchisees together as a group, all are eager to share their best practices, to learn from others, and to be among the top performers.

Because we are so information-driven, each year we turn the tables and have our franchisees rate us as a franchisor. Our 2011 report card showed high marks, with 91 percent of domestic franchisees rating the franchise from good to excellent. Internationally, in a leadership transition year, more than 80 percent said they feel good about the quality of the Popeyes franchising opportunity. These results attest to our strong partnership with our franchisees, as we work together to grow their restaurant profits.

*ROP margins are domestic franchise freestanding restaurant operating profit margins before rent.

ROD Dollars and Margins*

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<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tbody>
<tr>
<td>$ (in thousands)</td>
<td>$191,000</td>
<td>$209,000</td>
<td>$211,000</td>
</tr>
<tr>
<td>%</td>
<td>18.4%</td>
<td>19.5%</td>
<td>18.7%</td>
</tr>
</tbody>
</table>

“Until now, we did not have the ability to do theoretical versus actual inventory. Now, with the software as a service platform, I have information for all my restaurants at my fingertips. With access to the Internet, I can find out immediately what my sales are, my weekly numbers; it’s been a big benefit to us.”

— Danny Gililland
Owns and operates six Popeyes restaurants in the Little Rock, AR market

**Grow Restaurant Profits**
Accelerate Quality Restaurant Openings

“One of the keys to our successful location in Sparks, NV was Popeyes highly effective site selection process, modeling tools, and analytics. We’re taking advantage of location, location, location. With the tremendous success of my first Popeyes, I’m now making plans for restaurant number two.”

— Dr. Luther Mack, Jr.

Owns and operates the Popeyes in Sparks, Nevada, which set an all-time opening sales record in 2010 and remains among the highest volume restaurants within the system

With 40 years of experience behind us, and significant growth opportunities ahead of us both in the U.S. and around the globe, Popeyes is well poised for the future.

In 2011, we celebrated the opening of our 2,000th restaurant in Memphis, Tennessee. Throughout the year, we opened 140 restaurants around the globe, 34 more than the previous year. Our net growth was 65 new restaurants, including 46 domestic units. The Popeyes system built more domestic freestanding franchised units on a percentage basis than any other of our quick-service restaurant (QSR) competitors in 2011. As important, and exciting, is the fact that franchisees are opening new restaurants to greater success, with volumes about 40 percent above our system average.

The Popeyes system continues to thrive and grow, even in the challenging economy of recent years. For this, we credit the strong partnership we enjoy with our franchisees and the powerful impact of implementing our Strategic Road Map.

One example where partnership and strategy meet is in the work of the Popeyes Development Team, which has become a valuable asset to existing and new franchisees, helping to grow the number of restaurants around the world. Once a new restaurant is open, we continue to provide a strong supporting infrastructure, with marketing, operations, training, systems, and finance experts. And while Popeyes has traditionally been viewed as a restaurant concept for urban markets, we’ve been expanding our reach in suburban locations, some of which are proving to be among our highest-volume restaurants.

The brand’s dollar share of sales at chicken quick-service restaurants is growing. To build on this momentum, we announced aggressive growth plans for several domestic markets: Los Angeles and San Diego in Southern California; and Tampa and Orlando in Florida. We believe there is plenty of opportunity to grow, both in domestic and international markets.

The unique tie we have to Louisiana cuisine and culture differentiates Popeyes from other QSR concepts – and that, along with our support systems and services, makes us an attractive opportunity for restaurant owners and AFCE investors alike.
To Our Stakeholders

As we celebrate our 40th year, Popeyes is cookin’. We just completed our third straight year of positive same-store sales. We are gaining market share in a sluggish economy. And, according to independent data, our same-store sales have outpaced our competitors in the chicken quick-service restaurant (QSR) category for the past 15 quarters. We’re doing exactly as promised four years ago when we established our Strategic Road Map for Results to re-energize Popeyes and unleash its full potential.

Serving up results

The Popeyes brand resonates with hungry guests who return again and again for our flavorful food and compelling everyday value. Throughout 2011, many QSR brands struggled, as restaurants faced the headwinds of low consumer confidence, high levels of unemployment, and rising commodity prices. Still, Popeyes served up another year of positive results, financially and operationally.

» Adjusted earnings were $0.99 per diluted share versus $0.86 in 2010. Operating EBITDA margins remained among the highest in the restaurant industry at 29.5 percent of total revenues, and we generated more than $28 million in free cash flow.

» Global same-store sales grew 3.1 percent, the combined result of positive growth of 3.0 percent domestically and 3.3 percent in international markets. Restaurant operating profits in absolute dollars have grown for the third straight year despite record high costs.

» We opened a net total of 65 new restaurants, bringing the system to a record 2,035. On a percentage basis, the Popeyes system opened more domestic freestanding franchised restaurants than any of our QSR competitors in 2011.

» Our guests tell us they are enjoying a better experience than ever before, as evidenced by scores on our Guest Experience Monitor survey that show record highs in virtually every operational metric.

We were honored by several prestigious organizations during 2011.

» For the second time in our history, we won a MenuMasters Award, with Wicked Chicken named the Best Limited Time Offer.

» Popeyes Louisiana Kitchen is featured as one of the 15 most relevant and successful recent brand refreshes in the Graphic Design: Now in Production exhibition, organized by the Walker Art Center in Minneapolis, in collaboration with the Smithsonian’s Cooper-Hewitt, National Design Museum in New York.

» We won two top honors in Brandon Hall’s Excellence in Learning and Talent Management awards for the Best Use of Blended Learning and Best Onboarding Program.

In the QSR industry, money is made in slivers of percentages, and so we continued our focus on restaurant profitability. In 2011, we saved approximately $9 million in supply-chain food costs throughout the Popeyes system, on top of $16 million saved in 2010. While we saw a decline in restaurant operating profit margin on a percentage basis, 2011 was the third year in a row we delivered increased absolute profit dollars to our franchisees. We continue working diligently on in-restaurant cost controls to reduce waste and utilities. We’ve also stepped up our business intelligence systems for better data collection and analysis for key metrics.

Serving up talent

A key aspect underlying all we do is talent – the restaurant crews and corporate staff who bring our strategy to life every day. Over the past year, we have made important changes to our leadership team.

Ralph Bower was named President-U.S. in March 2012, leading day-to-day U.S. operations for Popeyes restaurants. In his previous role as Chief Operating Officer, Ralph was instrumental in both the strategy and execution of our Strategic Road Map for Results, creating an impressive record of accomplishments.

Dick Lynch assumed the newly created role of Chief Global Brand Officer in December. Over the past four years, as Chief Marketing Officer, he led the transformation of the Popeyes brand, with new positioning, messaging, culinary innovation, and Bonafide® chicken promotions that are clearly resonating with guests. We are now at a natural inflection point for Dick to extend the power of Popeyes Louisiana Kitchen positioning globally.

Andrew Skehan joined Popeyes in August in the role of Chief Operating Officer, International. With his hands-on experience in building winning teams and restaurants around the globe, Andrew is ideally suited to support our expansion plans and help our franchise partners succeed.
Lynne Zappone joined us in April in the newly created role of Chief Talent Officer. She is responsible for making sure we have the right people doing the right things in the right places to deliver our strategic plan. What will ultimately differentiate Popeyes will be the results we accomplish and how our people go about accomplishing them.

Our purpose, and my personal passion, is to develop a deep bench of service-focused leaders who deliver superior results, building on our accomplishments to date.

Our TV spokesperson Annie adds authenticity and knowledge, mixed with a lot of charisma, to the Popeyes Louisiana Kitchen brand. In 2011, we added a sixth cycle of national advertising to our media plans, and we saw the results with more guest traffic coming through our doors.

Our Strategic Road Map for Results has proven its value by performing well for investors, for franchisees, and for guests who have developed a passion for our Louisiana-inspired cuisine and culture. It is built on four pillars that we believe make a great restaurant company: build a distinctive brand; run great restaurants; grow restaurant profits; accelerate quality restaurant openings.

Our singular focus on executing these pillars is responsible for making Popeyes a competitive brand that’s capturing market share and accelerating long-term growth prospects. We’ve always been passionate about our food, and, for the past four years, we’ve brought that same passion to building a stronger foundation for performance.

We have outpaced our competitors in chicken quick-service restaurants (QSR) for the past 15 quarters.

Serving up strategy
All we’ve accomplished springs from a strategy that capitalizes on the strengths of our business model as a highly franchised restaurant system. This model provides diverse and reliable earnings, with steady cash flow and low capital spending requirements.

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Serving up mindshare
What makes Popeyes a distinctive and relevant brand is its Louisiana heritage. Even as we began our brand transformation, we continued to embrace and celebrate this distinguishing characteristic. Today, it drives everything from our menu and the look of our new restaurants to promotions and advertising. It’s even infused in our beverage strategy, with both Cane Sweeeet Iced Tea and Flavoriety™ quenching our guests’ thirst in a big way while delivering double-digit growth in 2011 beverage volume.

Our message platform positions Popeyes as slow-cooked, Louisiana-inspired home cooking for a fast-paced life: we’re Louisiana Fast™. In the past four years, we’ve re-energized the brand. Now we’re extending a new look and feel to the bricks and mortar of Popeyes restaurants. Beginning in late 2011, we introduced a stunning new design in select markets that visually reinforces our heritage and premium-quality food, imparting a contemporary feel. In 2012, we are targeting 600 restaurants to adopt the new look.

Serving up the future
Through our philanthropic arm, The Popeyes Foundation, Inc., we are working to engage the next generation of passionate foodies and Popeyes restaurateurs by partnering with ProStart®, a program of the National Restaurant Association Educational Foundation. This nationwide two-year high school program introduces students and teachers to careers in the restaurant industry through mentoring, internships, and training opportunities.

It is immensely rewarding to look back at the last four years and mark how well our strategy has molded Popeyes into a global brand that is outpacing the competition. As we like to say, “You ain’t seen nothin’ yet!” Few 40-year-old brands have such growth opportunities in both domestic and international markets. Even fewer can cite the level of quality openings, with average unit volumes of new domestic restaurants about 40 percent above our system average.

As we celebrate our 40th anniversary throughout 2012, our thoughts will be on the next 40 or 50 or 100 years. We know we have to win over our guests every single time they come through the door, which is something our franchisees, restaurant managers, and crews do really well. Through steady, consistent improvements, they give guests—and, by extension, AFCE investors—more reasons to trust us with their hard-earned dollars.

The entire Popeyes team remains committed to delivering flavorful food and a distinctive experience to our guests…with a festival feeling of Louisiana that’s unique to our restaurants.

Sincerely,

Cheryl A. Bachelder
CEO, AFC Enterprises, Inc.
(2) Weighted average common shares for the computation of diluted earnings per common share were 25.0 million, 25.5 million and 25.4 million for 2011, 2010 and 2009, respectively.

(3) The Company defines adjusted earnings for the periods presented as the Company’s reported net income after adjusting for certain non-operating items consisting of the following: (i) other expense (income), net, as follows: for 2011, includes $0.8 million in expenses for the global service center relocation, and $0.5 million in impairments and disposals of fixed assets partially offset by $0.5 million for net gain on sale of assets; for 2010, includes $13.3 million on the sale of assets partially offset by $0.6 million related to impairments and disposals of fixed assets and $0.6 million of other expense; (ii) for fiscal 2011, $0.5 million in accelerated depreciation related to the Company’s relocation to a new corporate service center; (iii) fiscal years 2010 and 2009, the interest charges associated with the refinancing of the Company’s credit facility, (iv) the tax effect of these adjustments; and (v) for fiscal 2010 the tax audit benefit. Adjusted earnings per diluted share provides the per share effect of adjusted net income on a diluted basis. The following table reconciles on a historical basis (2011, 2010 and 2009), the Company’s adjusted earnings per diluted share on a consolidated basis to the line on its consolidated statement of operations entitled net income, which the Company believes is the most directly comparable GAAP measure on its consolidated statement of operations to adjusted earnings per diluted share:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
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<tbody>
<tr>
<td>Net income</td>
<td>$24.2</td>
<td>$22.9</td>
<td>$18.8</td>
</tr>
<tr>
<td>Other expenses (income), net</td>
<td>$0.5</td>
<td>$0.2</td>
<td>$(21)</td>
</tr>
<tr>
<td>Accelerated depreciation related to the Company’s relocation to a new Global Service Center</td>
<td>$0.5</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest charges associated with refinancing of credit facility</td>
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<td>$0.6</td>
<td>$1.9</td>
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<tr>
<td>Tax effect</td>
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<td>$(0.3)</td>
<td>$0.1</td>
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<tr>
<td>Tax audit benefit</td>
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<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Adjusted net income</td>
<td>$24.7</td>
<td>$22.0</td>
<td>$18.7</td>
</tr>
<tr>
<td>Adjusted earnings per diluted share</td>
<td>$0.99</td>
<td>$0.86</td>
<td>$(0.74)</td>
</tr>
<tr>
<td>Weighted average diluted shares outstanding</td>
<td>25.0</td>
<td>25.5</td>
<td>25.4</td>
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</tbody>
</table>

(4) The Company defines Operating EBITDA as “earnings before interest expense, taxes, depreciation and amortization, and other expenses (income), net”. The following table reconciles on a historical basis for 2011, 2010 and 2009, the Company’s earnings before interest expense, taxes, depreciation and amortization, and other expenses (income), net ("Operating EBITDA") on a consolidated basis to the line on its consolidated statement of operations entitled net income, which the Company believes is the most directly comparable GAAP measure on its consolidated statement of operations to Operating EBITDA. "Operating EBITDA as a percentage of Total Revenues" is defined as "Operating EBITDA" divided by "Total Revenues".

<table>
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<tr>
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<td>$18.8</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>$3.7</td>
<td>$8.0</td>
<td>$(4)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>$13.8</td>
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<tr>
<td>Depreciation and amortization</td>
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<td>$4.4</td>
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<tr>
<td>Other expenses (income), net</td>
<td>$0.5</td>
<td>$0.2</td>
<td>$(21)</td>
</tr>
<tr>
<td>Operating EBITDA</td>
<td>$45.2</td>
<td>$45.3</td>
<td>$41.0</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$153.8</td>
<td>$146.4</td>
<td>$148.0</td>
</tr>
<tr>
<td>Operating EBITDA as a percentage of Total Revenues</td>
<td>29.5%</td>
<td>30.9%</td>
<td>27.7%</td>
</tr>
</tbody>
</table>

(5) The Company defines free cash flow as “net income” plus “depreciation and amortization”, plus "stock-based compensation expense”, minus “maintenance capital expenditures” (which includes: for 2011, $1.5 million in Company restaurant reimages, $0.6 million of information technology hardware and software, and $0.5 million in other capital assets to maintain, replace and extend the lives of Company-operated restaurant facilities and equipment, for 2010, $1.4 million for information technology hardware and software, $1.2 million for reopening a Company restaurant in New Orleans and restaurant reimage and corporate office construction, and $0.6 million in other capital assets to maintain, replace and extend the lives of Company-operated facilities and equipment; and for 2009, $0.3 million for information technology hardware and software and $1.1 million in other capital assets to maintain, replace and extend the lives of Company-operated restaurant facilities and equipment). In 2011, maintenance capital expenditures exclude $3.3 million related to the construction of the new corporate office, and $1.5 million for the construction of new Company-operated restaurants. The Company’s definition of free cash flow has been changed to exclude the effects of mandatory debt payments as management believes the new definition conforms to the free cash flow definition more commonly used by analysts, investors and lenders. The following table reconciles on a historical basis for 2011, 2010 and 2009, the Company’s free cash flow on a consolidated basis to the line on its consolidated statement of operations entitled net income, which the Company believes is the most directly comparable GAAP measure on its consolidated statement of operations to free cash flow:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$24.2</td>
<td>$22.9</td>
<td>$18.8</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$4.2</td>
<td>$3.9</td>
<td>$4.4</td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td>$2.9</td>
<td>$2.7</td>
<td>$1.9</td>
</tr>
<tr>
<td>Maintenance capital expenses</td>
<td>$(2.8)</td>
<td>$(3.2)</td>
<td>$(1.4)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$28.5</td>
<td>$26.3</td>
<td>$23.7</td>
</tr>
</tbody>
</table>

(6) Adjusted earnings per diluted share, Company-operated restaurant operating profit margins, Operating EBITDA, and free cash flow are supplemental non-GAAP financial measures. The Company uses Company-operated restaurant operating profit margins, Operating EBITDA, free cash flow and adjusted earnings per diluted share, in addition to net income, operating profit and cash flows from operating activities, to assess its performance and believes it is important for investors to be able to evaluate the Company using the same measures used by management. The Company believes these measures are important indicators of its operational strength and performance of its business because they provide a link between profitability and operating cash flow. Company-operated restaurant operating profit margins, Operating EBITDA, free cash flow and adjusted earnings per diluted share as calculated by the Company are not necessarily comparable to similarly-titled measures reported by other companies. In addition, Company-operated restaurant operating profit margins, Operating EBITDA, free cash flow and adjusted earnings per diluted share (a) do not represent net income, cash flows from operations or earnings per share as defined by GAAP; (b) are not necessarily indicative of cash available to fund cash flow needs; and (c) should not be considered as an alternative to net income, earnings per share, operating profit, cash flows from operating activities or other financial information determined under GAAP.

(7) System-wide sales growth calculates combined sales of all restaurants that we operate or franchise. Sales information for franchised restaurants is provided by our franchisees. System-wide sales are unaudited.
Cautionary Note Regarding Forward-Looking Statements

Forward-Looking Statement: 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 strategic plan, the Company’s future cash flows, revenues, financial position, and opportunities for restaurant growth, projections, and expectations regarding same-store sales for fiscal 2012 and beyond, the Company’s ability to improve restaurant level margins, guidance for new restaurant openings and closures, and the Company’s anticipated 2012 and long-term performance, including projections regarding general and administrative expenses, and net earnings per diluted share, 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, continued 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 credit facility, our ability to comply with the repayment requirements, covenants, tests, and restrictions contained in our credit facility, 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, 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 this Annual Report and other documents we file with the Securities and Exchange Commission. Therefore, you should not place undue reliance on any forward-looking statements.

Shareholder Information

Principal Office
400 Perimeter Center Terrace
Suite 1000
Atlanta, GA 30346
404-459-4450

Stock Transfer Agent
Computershare Trust Company, N.A.
P.O. Box 43078
Providence, RI 02940-3078
800-962-4264
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 2012 Annual Meeting will be held at:
Hilton Garden Inn—Atlanta Perimeter Center
1501 Lake Hearn Drive
Atlanta, GA 30319
8:30 AM ET, May 15, 2012
404-459-0500

Form 10-K
The Company’s 2011 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.
400 Perimeter Center Terrace
Suite 1000
Atlanta, GA 30346
Attn: Investor Relations
www.investor.afce.com

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