POPEYES BONAFIDE™ CHICKEN

Popeyes®

AFC Enterprises, Inc. 2007 Annual Report

POPEYES BONAFIDE CHICKEN™

bo·na·fide
Pronunciation: boh-nuh-fahyd

1. made in good faith; with earnest intent
2. authentic and true

To Our Stakeholders

Cheryl A. Bachelder
Chief Executive Officer, AFC Enterprises, Inc.
President, Popeyes Chicken & Biscuits

In November 2007, I accepted the opportunity to expand my role from AFC Enterprises Board Member to President and CEO. It is a true privilege to lead this Company, a Company that I believe is a gem just waiting to be polished and shined. The combination of the Popeyes menu steeped in the culinary excellence of Southern Louisiana and the passionate and experienced employees and franchise owners who embody this brand is a powerful one. With 2008 already underway, franchisees, employees, shareholders and our guests will begin to experience the benefits of our disciplined and dynamic operating plan.

The truth be told, 2007 was a tough year. Our same-store sales momentum of 2006 slowed in 2007, and rising food and labor costs industry-wide pressured the profitability of our restaurants. These challenges, coupled with construction delays in international markets and the U.S., further pressured new restaurant development resulting in 124 new openings.

That said, a challenging year also demonstrated the strength of our franchise business model. In 2007 we again posted an impressive EBITDA margin of approximately 30 percent, among the best in our industry. In 2007, we generated free cash flow of $28.5 million[(1)]. And we were able to selectively buy back more than $39.4 million worth of shares of our common stock throughout the year, demonstrating our confidence in the future.

This year, 2008, will be about building on the strength of our franchise model to deliver more consistent growth and stronger shareholder returns. We have assembled a top flight executive team with more than 70 years of hands-on experience running restaurant companies and we have developed a focused plan to claim what I believe is our rightful position as the “better” chicken quick service restaurant—a cut above the rest.

(1) EBITDA and free cash flow are non-GAAP financial measures. For a reconciliation of EBITDA and free cash flow please see “Financial Highlights” on page 8 of this Annual Report.

"We have developed a focused plan to claim what I believe is our rightful position as the 'better' chicken quick service restaurant—a cut above the rest."

Popeyes is positioned to compete in the "sweet spot" of the quick service industry, a $150 billion category with a three year compound annual growth rate of approximately 5 percent. Chicken remains America's favorite protein and you might be surprised to note that the growth in chicken consumption is led by golden, crispy chicken, served in bites, nuggets, sandwiches, wraps and more.

Successful restaurants are about great food. And the taste and quality of our Popeyes chicken is legendary. Our signature fried chicken is freshly prepared, marinated 12 hours in Louisiana seasonings, and then hand-battered and cooked to a golden brown. Our unique and flavorful sides, like red beans and rice, further set us apart from the competition.

For over 35 years Popeyes' distinctive and consistent high-quality food is a direct result of the investments of our operators who have built restaurants, hired fine teams to run and support them, and kept those restaurants clean and up-to-date. Today approximately 85 percent of our restaurants have been updated to the bright and colorful, New Orleans-inspired building and dining room designs. As further evidence of confidence in our future, our franchise operators have built 380 new Popeyes restaurants in the last three years. We are deeply grateful for this special relationship with our restaurant operators.

Looking forward, we are working to strengthen Popeyes menu offerings to include more portable, convenient food choices with the everyday values our customers can afford. Popeyes is upgrading every element of our marketing and media plans to better communicate our food advantage over the competition. Building and protecting our great brand is our highest priority.

We are also working closely with our franchise owners to delight our guests every time they come to Popeyes by running great restaurants. We are currently putting in place new operations systems and tools to help our restaurant managers consistently meet the guests' expectations for hot, delicious food served promptly, accurately and with the hospitality of your own home. By year-end every Popeyes restaurant will have an independent guest survey in place to give us monthly feedback from our guests.

Popeyes Leadership Team

Left to Right (Back Row)
Dave Smith, Chief Operating Officer, International; Stan Stout, Chief People and Technology Officer; Mel Hope, Chief Financial Officer; Ron Whitt, Director, Strategic Management; Ralph Bower, Chief Operations Officer

Left to Right (Front Row)
Dick Lynch, Chief Marketing Officer; Alicia Thompson, Vice President, Communications; Cheryl Bachelder, President & CEO; Sonny Cohen, Chief Administrative Officer, General Counsel

It is no secret that food commodities, packaging and labor costs are putting a great deal of pressure on restaurant profitability. We are working with our purchasing and distribution cooperative, Supply Management Services, Inc. (SMS), and our suppliers to help keep a lid on pricing and freight increases. We are also refocusing our attention to helping each restaurant manager proactively manage food costs and labor scheduling for an optimal bottom line. This continuous improvement process is essential to staying ahead in our business.

In summary, 2008 will be focused on strengthening the Popeyes system—the menu, the operations, the profitability—so that we can accelerate Popeyes unit growth in the years ahead. To that end, we have announced the commencement of a process to identify experienced and qualified franchisees to purchase our company-operated restaurants so that we can re-purpose our resources towards the critical initiatives of our operating plan.

I am proud of the entire Popeyes team and their commitment to delivering our operating plan. Together with our franchise owners, we intend to make you a proud investor in our brand Popeyes.

Sincerely,

Cheryl A. Bachelder

Cheryl A. Bachelder
CEO and President
AFC Enterprises

Building a distinct and relevant brand

Popeyes is a preferred brand with a unique Southern Louisiana heritage, differentiated market position, and superior menu offering.

Or, as we simply say, “bonafide.”

At more than 1,900 Popeyes restaurants worldwide, our flavorful quality food, freshly prepared, hand-battered and marinated for hours in the special Louisiana seasonings drive guests to return again and again.

For these reasons and more, Popeyes remains a leader among chicken Quick Service Restaurants (QSRs).

Despite these successes, we still have further to go. From our point of view, we have not maximized the advantages of the Popeyes brand and food platform to sustain traffic to our restaurants. That needs to change, and will change now. In addition to our outstanding bone-in fried chicken and sides, we must give our guests more choices by meeting their needs for portable, snacking foods; quick lunch options; lighter choices; and of course, everyday value.

That’s what bonafide food is all about. And that’s what we’ll deliver.

The power of Popeyes

Popeyes stands for BETTER food than other chicken QSRs. In national syndicated research conducted among QSR customers in 2007, taste and quality rank as the top two drivers of guest satisfaction in QSR chicken. The same study shows QSR consumers consider Popeyes significantly superior to the leading chicken QSR chains on both dimensions: taste and quality. In addition, our own focus groups held across the country reveal that guests feel our food superiority comes from the distinctive ingredients, flavors and cooking methods of the Louisiana Gulf Region. In fact, customers said that if they move away from a Popeyes restaurant, they would take road trips back to get our distinctive food. Now that’s an advantage.

Food is at the center of everything we do

Guests do more than just enjoy the taste of Popeyes food; they crave it. Our Louisiana heritage gives us a melting pot of food cultures to draw on for new recipes and products, representing a superior food platform for flavor innovation. New Orleans is where seven cultures converge—instilling the food with flavor influences from England, Italy, France, Africa, the Caribbean, Latin America, as well as the American Indian. We will continue to tap the amazing culinary experiences and colorful culture of our birthplace as we work to give our guests a wide choice of offerings throughout the day.

Running great restaurants

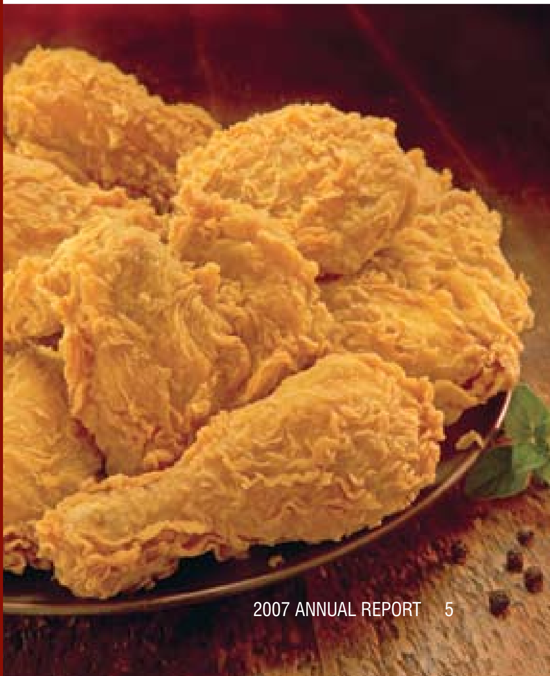
Popeyes has always been known for superior food. But there is another side to the Popeyes brand. The side that lives in the minds of our guests, shaped by their individual guest experiences. Was their experience authentic? Did it exceed expectations? Was it flavorful?

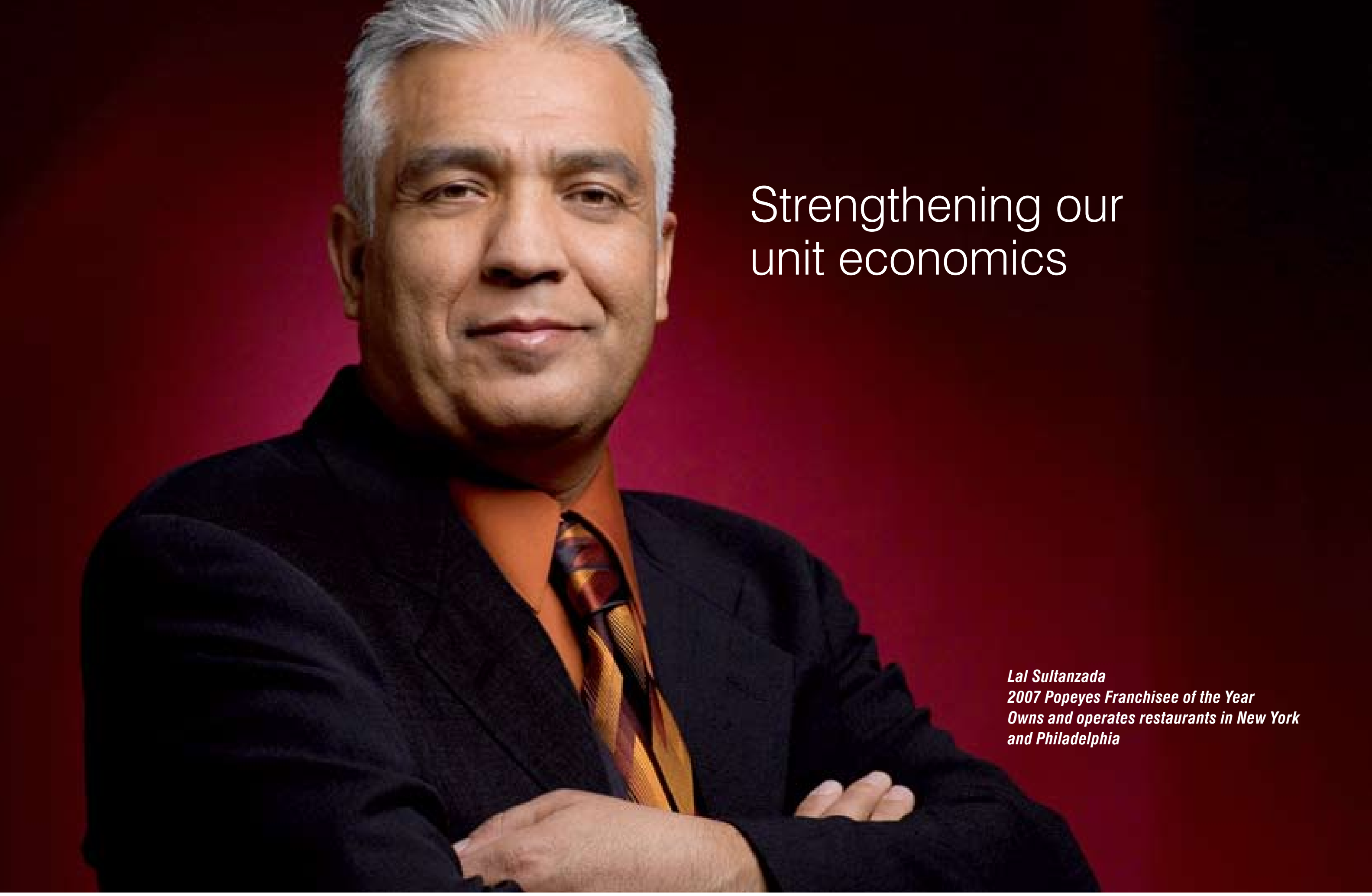
Our goal is to deliver a superior guest experience—every visit, every restaurant. We are not there yet. Research shows Popeyes at a disadvantage to chicken competitors on service. There is clearly room for improvement.

We are committed to building a sound formula for running great restaurants and delighting our guests every time they come to Popeyes.

We started this process in earnest in late 2007 and it will continue to be a focus on our 2008 road map for the future.

Already we are developing new operations support systems and tools. We are providing every restaurant in the system with a monthly guest survey—valuable feedback from their customers, gathered and analyzed by an independent consumer research company. This information will help restaurant general managers exceed guest expectations for hot, delicious food served promptly, accurately, and hospitably.





Strengthening our unit economics

Lal Sultanzada
2007 Popeyes Franchisee of the Year
Owns and operates restaurants in New York and Philadelphia

Popeyes franchise owners are the foundation upon which we will accelerate growth of the Popeyes brand. They are our respected and valued business partners, as we are theirs. Our focus now is on making our franchise owners more profitable—helping them increase their sales and sustain and enhance their bottom line so that they can earn compelling financial returns.

With that in mind, we are working closely with franchise owners to identify and secure cost savings and best practices to improve food, labor and overhead efficiencies in the restaurants. We are developing a system to track key profitability measures to help franchise owners compare the performance of their restaurants across a number of criteria to help quantify and analyze opportunities for improvement.

We are investing in additional analytical personnel to provide better business analysis for marketing, operations and development decision-making. Improving the value proposition for Popeyes franchise owners better positions the Popeyes system to grow restaurants more rapidly in the years to come.

Growing from a solid base

In 2007, we opened 124 restaurants bringing our total global restaurant count to 1,905. Today, the Popeyes system is comprised of more than 1,580 restaurants domestically and approximately 320 restaurants located in 24 countries and two territories worldwide. Given the strong acceptance of the unique flavor profiles of our products both domestically and abroad, the Popeyes brand has substantial unit growth potential ahead and we believe that over time, the Popeyes system can more than double unit growth domestically and expand significantly internationally.

Our expansion into Turkey in 2007 is a perfect example of Popeyes international growth potential. In the spring, we signed a franchise development agreement with a solid restaurant operator and developer who opened nine restaurants during fiscal 2007 and has an aggressive growth plan for 2008 as well. Their success in importing Popeyes to yet another international market and the performance of those restaurants to date illustrates the broad appeal of the Popeyes flavor profile and the many opportunities for continued expansion around the world.

Aligning our people and resources to deliver results

At Popeyes, we are working to make our entire organization stronger and more profitable. We are building a solid franchise support platform—making investments in a number of key areas. We are investing in menu innovation and marketing. We are investing in more visits to restaurants to assess and train general managers and crewmembers. We are investing in our Guest Experience Monitor (GEM) to gather feedback from our guests. We are investing in profitability initiatives and technology to strengthen unit economics. Bottom line, we are investing in the Popeyes brand today, so that we can grow faster in the future.

Investing in our future

While 2007 was a tough year, Popeyes persevered. The financial health of the brand is strong and a key element to our continued success. Popeyes has sound fundamentals in its franchise model, its brand and menu strengths, and its unit growth potential. The opportunities are simply this: to tell the brand and food story to the guest in a compelling way, to add key menu platforms that appeal to today's guest, to improve the guest experience at the restaurant, and to manage restaurant profitability against the current economic environment.

As the old saying goes, the future is what you make of it. Popeyes is a competitor in a strong QSR sector with a brand that can deliver the flavorful, high-quality food our guests prefer. With steadily improving operations and sound unit economics, Popeyes is well positioned to be a growing QSR chain that delivers sound returns to its shareholders.

At Popeyes, the journey along our road map for the future is well under way. Join us as we get to work!

Financial Highlights & Key Operational Metrics[1]

(Dollars in millions, except per common share data)	**2007**	2006	2005
Franchise revenues	**$ 82.8**	$ 82.6	$ 77.5
Total revenues[2]	**$ 167.3**	$ 153.0	$ 143.4
Income (loss) before discontinued operations	**$ 23.1**	$ 22.2	$ (8.4)
Net income[3]	**$ 23.1**	$ 22.4	$ 149.6
Earnings per common share, diluted[4]	**$ 0.80**	$ 0.75	$ 5.14
EBITDA[5,6,8]	**$ 52.5**	$ 51.9	$ 158.4
EBITDA margin[5,6,8]	**31.4%**	33.9%	110.5%
Free cash flow[5,7,8]	**$ 28.5**	$ 29.4	$ 158.1
Global system-wide sales growth[9]	**0.3%**	7.0%	4.8%
Domestic system-wide same-store sales growth	**(2.3)%**	1.6%	3.3%
New restaurant openings	**124**	142	123
Total restaurants	**1,905**	1,878	1,828

(1) Additional information concerning financial performance can be found in AFC's Consolidated Financial Statements and Management's Discussion & Analysis of Financial Condition and Results of Operations in the attached Annual Report on Form 10-K.

(2) Total revenues for 2006 included a 53rd week which increased sales by $2.5 million. Total revenues for 2006 and 2005 included approximately $1.2 million and $2.7 million, respectively, in sales related to Popeyes franchisees that were consolidated as part of AFC's adoption of FIN 46R.

(3) Discontinued operations provided after-tax income of $0.2 million in 2006 and $158.0 million during 2005 (all of which was associated with a gain on the sale of Church's Chicken).

(4) Weighted average common shares for the computation of diluted earnings per common share were 28.8 million, 29.8 million and 29.1 million for 2007, 2006 and 2005, respectively. For 2005 potentially dilutive employee stock options were excluded from the computation of dilutive earnings per share due to the anti-dilutive effect they would have on "loss before discontinued operations."

(5) In 2005 the Company recognized $158.0 million for the gain on the sale of Church's Chicken, $8.3 million for general and administrative expenses related to restructuring of corporate operations and other and $21.8 million of charges related to the shareholder litigation settlement.

(6) EBITDA margin is an expression of EBITDA as a percentage of total revenues. The following table reconciles on a historical basis for 2007, 2006 and 2005, the Company's earnings before interest expense, taxes, depreciation and amortization ("EBITDA") on a consolidated basis to the line on our consolidated statement of operations entitled net income, which we believe is the most directly comparable GAAP measure on our consolidated statement of operations to EBITDA and provides the calculation of EBITDA margin:

(Dollars in millions)	2007	2006	2005
Net income	$ 23.1	$ 22.4	$149.6
Interest expense, net	$ 8.7	$ 11.1	$ 6.8
Income tax expense (benefit)	$ 13.8	$ 12.0	$ (5.3)
Depreciation and amortization	$ 6.9	$ 6.4	$ 7.3
EBITDA	$ 52.5	$ 51.9	$158.4
Total revenues	$167.3	$153.0	$143.4
EBITDA margin	31.4%	33.9%	110.5%

(7) The following table reconciles on a historical basis for 2007, 2006 and 2005, the Company's free cash flow on a consolidated basis to the line on our consolidated statement of operations entitled net income, which we believe is the most directly comparable GAAP measure on our consolidated statement of operations to free cash flow:

(Dollars in millions)	2007	2006	2005
Net income	$ 23.1	$ 22.4	$149.6
Depreciation and amortization	$ 6.9	$ 6.4	$ 7.3
Stock-based compensation expense	$ 1.7	$ 3.4	$ 2.9
Maintenance capital expenses	$ (3.2)	$ (2.8)	$ (1.7)
Free cash flow	$ 28.5	$ 29.4	$158.1

(8) EBITDA and free cash flow are supplemental non-GAAP financial measures. We use EBITDA and free cash flow, in addition to net income, operating profit and cash flows from operating activities, to assess our performance and believe it is important for investors to be able to evaluate us using the same measures used by management. We believe these measures are important indicators of our operational strength and performance of our business because they provide a link between profitability and operating cash flow. EBITDA and free cash flow as calculated by us are not necessarily comparable to similarly titled measures reported by other companies. In addition, EBITDA and free cash flow: (a) do not represent net income or cash flows from operations as defined by GAAP; (b) are not necessarily indicative of cash available to fund our cash flow needs; and (c) should not be considered as an alternative to net income, operating profit, cash flows from operating activities or our other financial information determined under GAAP.

(9) 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. Total system-wide sales in 2006 included a 53rd week which increased system-wide sales by 1.8 percent. Excluding the impact of the 53rd week in 2006, global system-wide sales growth in 2007 would have been approximately 2.1 percent.

Cautionary Note Regarding 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 and the future growth of the Popeyes system including unit growth potential. 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, 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, 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, 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 increased gasoline prices, general economic conditions, 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 2007 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

President & Chief Executive Officer:
New College Foundation
Chairman: AFC Enterprises, Inc.
Director since: 2006 Age: 61

Victor Arias, Jr.

Senior Client Partner:
Korn/Ferry International
Director since: 2001 Age: 51

Cheryl A. Bachelder

Chief Executive Officer:
AFC Enterprises, Inc.
Director: AFC Enterprises, Inc.
Director since: 2006 Age: 51

Carolyn Hogan Byrd

Founder, Chair &
Chief Executive Officer:
GlobalTech Financial, LLC
Director since: 2001 Age: 59

John F. Hoffner

Director: AFC Enterprises, Inc.
Director since: 2006 Age: 60

R. William Ide, III

Partner: McKenna Long &
Aldridge, LLP
Director since: 2001 Age: 68

Kelvin J. Pennington

President: Pennington Partners & Co.
Director since: 1996 Age: 49

Shareholder Information

Principal Office

5555 Glenridge Connector NE
Suite 300
Atlanta, GA 30342
404-459-4450

Stock Transfer Agent

Computershare Trust Company, N.A.
P. O. Box 43078
Providence, RI 02940-3078
800-568-3476
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 2008 Annual Meeting will be held at:
Hilton Garden Inn — Atlanta Perimeter Center
1501 Lake Hearn Drive
Atlanta, GA 30319
8:30 AM ET, May 21, 2008
404-459-0500

Form 10-K

The Company's 2007 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

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AFC Enterprises, Inc. • 5555 Glenridge Connector NE • Suite 300 • Atlanta, GA 30342 • www.afce.com