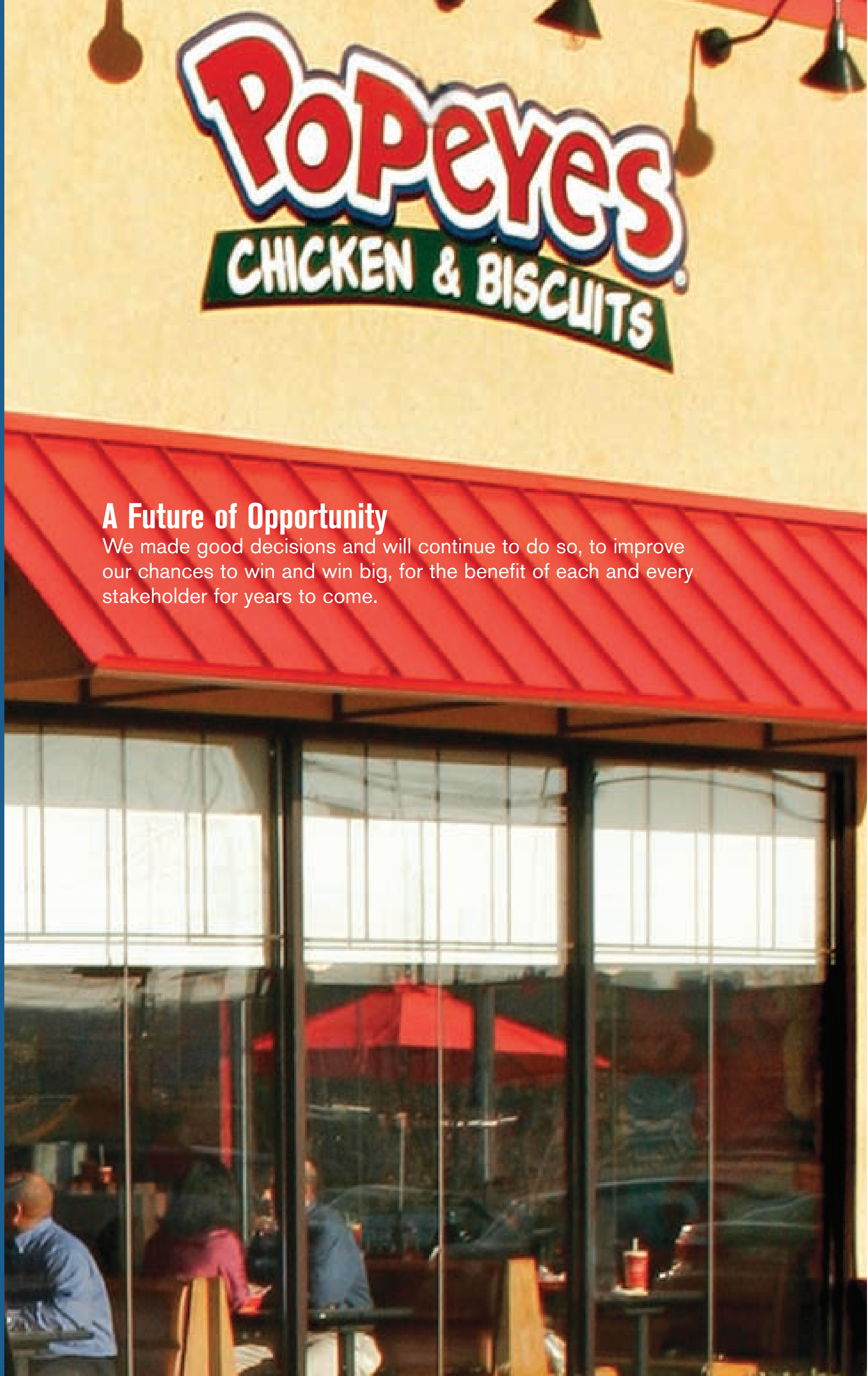
Popeyes®

A Future of Opportunity

AFC Enterprises, Inc.

2004 Annual Report



A Future of Opportunity

We made good decisions and will continue to do so, to improve our chances to win and win big, for the benefit of each and every stakeholder for years to come.

A LETTER TO OUR STAKEHOLDERS

Frank Belatti
Chairman and CEO

Dear Stakeholders,

Over the past two years, we have worked diligently to do what was necessary and prudent to unlock the greatest value at AFC. As I look back over this past year, I must say that I am pleased with what we have accomplished — especially since we set out specifically to execute many of these initiatives twelve months ago.

As 2004 began, we were determined to assess and improve our administrative processes and procedures, resume trading on NASDAQ, evaluate and make appropriate changes to our portfolio, collapse the corporate center, and turn our undivided attention to growing the Popeyes brand.

Despite facing what often were competing priorities, our people remained steadfast and resolute, never wavering from the goal of getting the job done. They worked hard to do what had to be done in the appropriate sequence, while delivering our desired results.

Maintaining a proper balance throughout the year, we were careful to protect the integrity of our brands, the investments of our franchisees, and the work environment of our employees. All the while, we were seeking to improve the value of the enterprise for our shareholders.

The fact that we succeeded in maintaining that balance bodes very well for the future of this company because the majority of the people who did the hard work during 2004 remain with the company and are now focused on our 2005 objectives. There is a sense of genuine enthusiasm about running the business without competing priorities.

Now we are concentrating on just one thing, driving Popeyes to new levels of performance and profitability. That single-minded focus is good for everyone. It is good for our franchisees, who know our efforts are designed to assist them in every way we can toward a "future of opportunity." It is good for our employees, who can concentrate their efforts on a single brand, ensuring that their energy, creativity, and boundless spirit are devoted to making Popeyes the brand of choice in our industry. And it is good for our shareholders, who will benefit from a streamlined organization that is free from many previous distractions and is committed to building the business.

> "...we expect to take deliberate actions that will unlock value as a whole."
>
> —Frank J. Belatti, AFC 2003 Annual Report

There is a school of thought that acquiring businesses is always good and trimming businesses cannot be a positive move. At AFC, we constantly look at both sides of the equation — growth and reduction — and continually analyze what will be in the best interest of the enterprise and our stakeholders. Sometimes it is growth, but sometimes reduction provides the greatest value and clarity and builds the strongest platform for future success.

In AFC's case, our portfolio reduction provides us with three distinct advantages. First, it allows us to focus on the brand that we believe has the superior growth potential, is overwhelmingly franchised, requires lower capital expenditure, has the capacity to promote a more diverse and contemporary menu, and provides the greatest point of differentiation in a highly competitive arena.

> "We evaluated and assessed everything about AFC. Our people. Our systems. Our brands. Our portfolio. Then we created and invented and improved and fixed. The result will be an AFC Enterprises that is as strong and valuable as we can make it."
>
> —Frank J. Belatti, AFC 2003 Annual Report

Second, by consolidating our operations to Popeyes' corporate offices, we eliminate a shared service center that has ceased adding financial leverage. This initiative also saves considerable expense.

And third, the transactions have allowed us to monetize certain assets of slower growing and less profitable businesses in a positive financial market. This has generated cash that should provide for enhanced shareholder value. Frankly, we feel very positive about our strategic direction and the execution of our plan. We believe our current structure will prove to be a better vehicle for growth and value creation in the future.

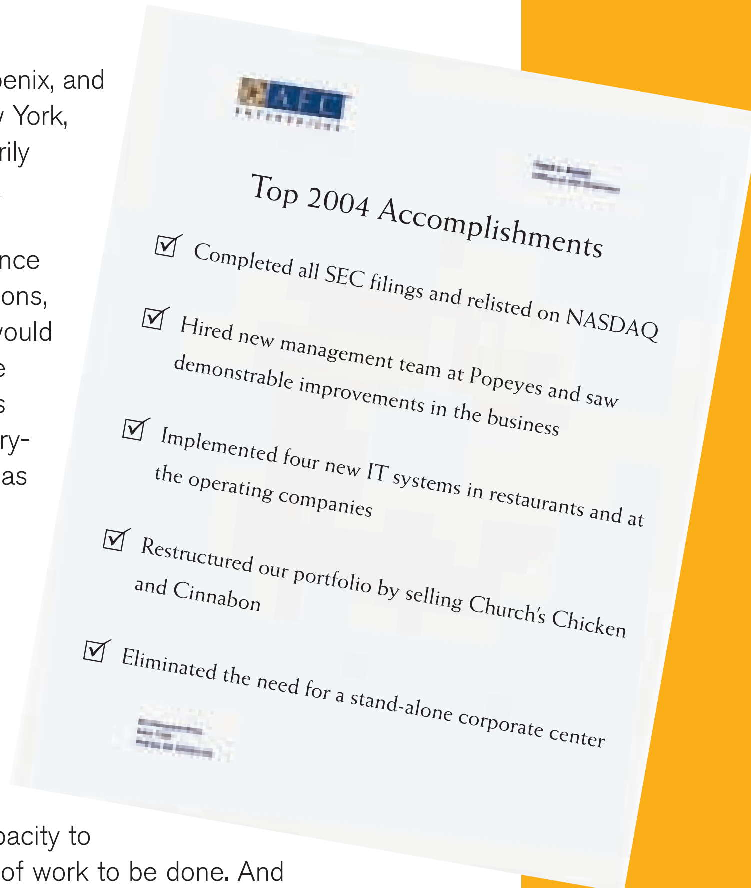
AFC is now Popeyes Chicken & Biscuits. We have hired Ken Keymer, the former president of Sonic Corporation, to lead this great brand. Additionally, we have put a number of people back in the field, decentralized our field operations, reenergized Popeyes' marketing, built a new management team, and strengthened the relationship between the corporate service center and the franchisees. The result is that we have a franchise community today that is enthusiastic and highly supportive.

> "We are setting objectives for ourselves that are well in excess of what many people may expect of us."
>
> —Frank J. Belatti, AFC 2003 Annual Report

It is no coincidence that Popeyes saw an improvement in performance during the last two quarters of the year. In the fourth quarter of 2004, Popeyes' domestic same-store sales growth was 3.2 percent compared to a decrease of 1.2 percent for the fourth quarter of 2003. That was the most improved year-over-year quarterly performance for Popeyes since the first quarter of 2002. Popeyes reported full-year domestic same-store sales growth of 1.3 percent for 2004, slightly higher than what we had previously projected.

It is an exciting and invigorating time for Popeyes. There is a lot of new product activity, a lot of new design activity, a lot of new re-imaging activity, and a lot of focused development activity.

For 2005, Popeyes expects domestic same-store sales growth of 2.0 to 3.0 percent driven by continued operational improvements and increased food-focused advertising, as well as additional menu and promotional products focused on further driving lunch and snack day-parts. The company expects the Popeyes system to open 120 to 130 restaurants in 2005, with a focus on new domestic markets in Boston, Las Vegas, Phoenix, and Seattle, in addition to the existing markets in Chicago, New York, and Washington, D.C. Internationally, Popeyes will be primarily focusing on new unit growth in Canada and Latin America.



Top 2004 Accomplishments

- ☑ Completed all SEC filings and relisted on NASDAQ
- ☑ Hired new management team at Popeyes and saw demonstrable improvements in the business
- ☑ Implemented four new IT systems in restaurants and at the operating companies
- ☑ Restructured our portfolio by selling Church's Chicken and Cinnabon
- ☑ Eliminated the need for a stand-alone corporate center

As I look back on 2004, I am struck by the fact that not once did we rush into a decision. We were deliberate in our actions, always striving to make the right choices — choices that would enhance shareholder value. We have simply tried to do the right things, in the right sequence, at the right time, always looking to maximize value and protect the interests of everyone associated with the company. Now, we are being just as purposeful with Popeyes.

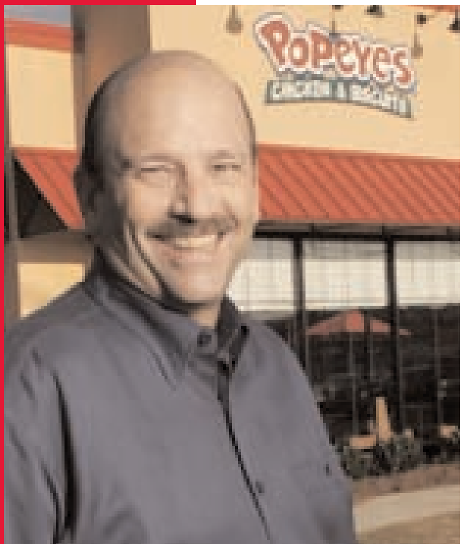
In light of all that has taken place over the last two years, we have dedicated 2005 solely to further drive improvements and enhance the growth prospects for Popeyes. Our job is to make sure the Popeyes team has minimum distractions and to give them the full support they need to succeed.

We leave 2004 with fewer moving parts and a greater capacity to focus. That is important because there is still a good deal of work to be done. And there are no better people to do it than the people of AFC. There is a work ethic here that inspires us to keep going until everything is done — and done to the best of our ability.

Now we are gearing up for our new priority — making Popeyes a compelling choice for our guests, our franchisees, our employees and our shareholders.

Winston Churchill said, "A pessimist sees the difficulty in every opportunity; and an optimist sees the opportunity in every difficulty." Surely, AFC has seen its share of difficulties over the last couple of years, but by also seeing the opportunity in our difficulties, we have become stronger, leaner, more focused and better positioned to write the next successful chapter in our history.

Frank J. Belatti
Chairman and CEO



Q&A with Popeyes President, Ken Keymer

What attracted you to Popeyes?

Popeyes is a great brand, and the attributes — flavorful food, loyal customers — that made it great over the last 33 years will help us gain momentum and drive the brand forward in coming years. I am a loyal Popeyes customer and when approached by AFC regarding the president's position, I saw it as a wonderful opportunity given the brand's growth potential. In a short period of time, I have built relationships with the people who really do the heavy lifting — the franchisees, the field services team, and the Popeyes corporate team (service center) — in order to enhance the health and vibrancy of the brand. Though we are in the early stages of this transformation, we have made significant progress. The entire Popeyes team, including franchisees, is excited by what's happening. We have great potential to make this the "best in class" QSR brand in the next few years and I am excited to be a part of that.

How does being a single-brand company change AFC – and Popeyes?

The fact that AFC is now a single brand allows for a razor-sharp focus on Popeyes. The full force of the organization is now concentrated on the success of one brand. With the allocation of all company resources — attention and services — aimed at the Popeyes brand, our franchisees, domestic and international, can be confident that we are also entirely focused on their success. AFC, as a single-brand company, will have a narrower focus and will present a much simpler story for our stakeholders to understand.

The Popeyes Opportunity at a Glance

- Highly Franchised — Over 97% franchised globally, domestically over 96%
- Low Capital Needs
- Brand Expansion Potential
- Equity in a Highly Differentiated Brand

What was the biggest challenge Popeyes faced last year and how did you meet it?

The greatest challenge for the brand in 2004 was creating better alignment between the service center and franchisees, so the groups work in unison, discussing the business as a whole, establishing action plans and executing those plans to move the business forward. After some very productive conversations, we worked together to create joint initiatives that everyone could support. In a franchise system such as ours, we are aligned with our franchisees most of the time. We recognize, however, that having the ability to successfully work through important system issues with our franchisees depends on having a strong and mutually respectful relationship and we continuously work on building and strengthening that relationship.

What were the top five accomplishments for Popeyes in 2004?

First and foremost was the addition of incremental resources in the field to support field operations and franchisee businesses. We increased our field-based operations and marketing resources by approximately 200 percent and moved to a decentralized organization with three regions. Our team members now live in the markets they serve, which has improved communication between the franchisees and the support team. Second, we returned to marketing that highlights our food and our flavor — the things our customers told us were important. This shift, in my opinion, was a major factor in the positive results we garnered the last half of the year. Third, the brand made major reductions in development costs. Initial efforts led to a cost reduction in new units of approximately $100,000 depending upon the building type, and a reduction in the average cost to re-image a unit of 21 percent to 36 percent. Fourth, we added new senior leadership in both franchise and company operations, a vice president of menu development, a new chief development officer, and a new chief marketing officer. And lastly, and maybe most important of all, we aligned the entire service center team around the initiatives that are most important to the company and our franchisees. This transformation continues to be a work in progress, but we have already seen a tremendous acceleration in the ability to work together as a single, unified organization.

Top 2004 Accomplishments

- Increased and decentralized field-based operations and marketing resources to improve service and communication between franchisees and support team
- Returned to food-focused marketing – highlighting our food and our unique flavor superiority
- Reduced development costs for new units by 10 percent and re-imaging expenses by approximately 30 percent
- Built a new senior management team to execute and accelerate our overall business growth strategy
- Aligned the entire service center team to drive sales and profitability

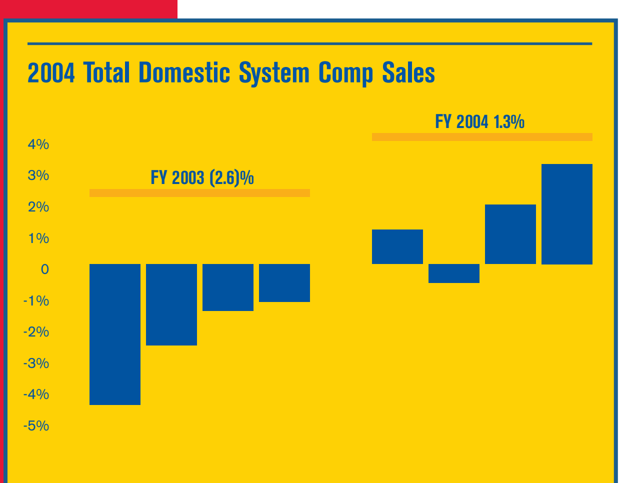
Do you believe Popeyes can compete in the QSR arena better than its counterparts?

Definitely. We have a highly definable and distinctive brand position. Our customers truly believe that our New Orleans heritage makes our food better. It provides us better credibility around our flavor and taste and the products that we serve. We have something meaningful that customers recognize, we own it, and it creates a distinctive positioning. This becomes a major advantage when we tell customers why we are superior to other brands in the larger QSR arena — not just chicken QSRs.

What are you doing to leverage the uniqueness of the Popeyes brand?

We have to be mindful that we have been given a gift by our customers — the credibility around our New Orleans heritage. We have to be very clear as we talk to customers that we value that heritage as much as they do. Through our marketing and in-store communications, we must make sure that we are using that message as an underlying theme for everything we do. Just as important, however, is the operational element. When you think of the New Orleans heritage around the food, there is also a "southern genteelness" that has to do with the quality of the customer interaction. We have to be able to execute that interaction every time a customer walks through the door of a Popeyes restaurant.

Ken Keymer and Popeyes team member Tinika Harris assist a customer at the brand's Roswell Road restaurant in Atlanta.



Given the shift in the bone-in chicken market, how can Popeyes increase its market share?

Popeyes' foundation was built on bone-in chicken and the brand will always remain true to its bone-in chicken heritage. We have the best bone-in chicken in the marketplace today and we must continue to communicate that to our customers and keep delivering on that unique quality. However, over the last few years, the popularity of bone-in chicken has decreased, while overall chicken consumption has skyrocketed. For the next few years, revenue growth is going to come from places other than bone-in chicken. Popeyes must be smarter about occasions to increase market share. We have to enhance our boneless chicken offerings, ensuring they provide the same flavor superiority that our bone-in chicken delivers. Additionally, we must provide a variety of boneless chicken — everything from sandwiches to finger food and snack foods. We also have a wonderful array of side dishes that are unique and very special. I think if you combine those sides with the new boneless products that we're producing, like Popeyes Naked Chicken Strips™ and hand-battered tender nuggets, we have a great opportunity to grow market share and drive our afternoon and evening snack day-parts.

What are you doing to build momentum at Popeyes?

Momentum-building efforts are an integral part of the brand's overall business strategy. Our primary job is aligning brand communications and making sure that we stay on message. Consistent brand communications allow us to highlight key product initiatives, thus driving consumer awareness in the marketplace and further building brand momentum. The field services team is doing an incredible job of driving improvements in operations. In the last half of 2004, we saw a 10 percent improvement in our mystery shop scores — and we have only just begun. Obviously, if we are driving mystery shop improvement, we are driving the quality of our customer experience. Improvements in speed of service, order accuracy, flavor, and restaurant cleanliness are the primary contributors to the increased scores. Our restaurant operators are making an effort, supported by our field services team, to really improve the quality of operations, which drives the quality of customer experiences. I grew up on the operations side, so I know that improving the quality of our operations will drive sales and improve the profitability of our restaurants. We are also driving momentum in the development area by building the new store opening pipeline and reducing new restaurant development costs. Add to that a new prototype restaurant that costs 10 percent less to build than previous heritage-design restaurants and our aggressive re-imaging program, and you have a solid strategy for continued momentum in 2005 and beyond.

What are the biggest challenges for Popeyes in the year ahead?

First, we must continue strengthening our base concept. Our economic model must be as strong as possible. Clearly, when we have strong restaurant economics, the system growth we seek will occur much more quickly. Secondly, now that we are once again developing franchises domestically, we have to approach the process as if it were the first time. We did not sell domestic franchises for almost 14 months; however, we used that time to improve the sales and development process. Inquiries are increasing and agreements are being signed. I think we will see steady progress through 2005, driving toward a much stronger 2006.

What are the biggest opportunities in the year ahead for Popeyes?

We have great opportunities to build frequency. Popeyes has a larger pool of customers than most hamburger restaurants because of the size of our trade areas. We know that the visit frequency of chicken QSR is about half that of hamburger QSR in terms of average visits per month. That means we have a very large pool of customers who love to come to us for our bone-in chicken and unique sides, but they have not discovered other reasons to visit us. We have a great opportunity with some of the menu initiatives currently being tested to really build frequency. I believe very strongly that it is much easier to convince a current loyal customer to visit more frequently than to go out and find people who are not aware of the brand and try to convince them to come in for the first time.

What are some of those menu initiatives?

A key initiative for the brand is the development of boneless products. Our Popeyes Naked Chicken Strips™ product line – which was successfully launched in January 2005 creating a strong demand from consumers – is a great example of the products we will bring forward in the boneless arena. We are already making great strides. Second among our menu initiatives is the brand's commitment to providing "better for you" alternatives. We are calling this initiative "Healthy Matters" and it includes testing new and improved salads, wraps, and working with our ingredients and our current products to improve their wholesomeness and healthiness. With these improvements, I feel confident that frequency among our current guests and traffic during lunch and snack day-parts from new customers will increase. Third, we are in the process of strengthening our lunch sandwiches, and have several great tasting test products that should provide lunch customers a reason to visit Popeyes for lunch more often. Once a strong base sandwich program is in place, it will provide a great platform for sandwich LTOs (limited time offers), which can have a significant impact on our effort to increase visit frequency.

What will Popeyes look like a year from now?

I believe Popeyes will continue to become a stronger brand over the next 12 months. By working with our operators, I expect 2006 will bring alignment to brand communications, a larger re-image presence in our existing markets, a menu that is more consistent and relevant to our customers, operations that are responsive to what our guests expect, and a business that provides stronger sales and profits to our franchisees. I am excited about the potential for the coming years and believe strongly that Popeyes is poised for accelerated growth and brand enhancement.

(Top to bottom) 3pc Chicken Combo, Popeyes Naked Chicken Strips™, Southwest Shrimp and Garden Salad with Popeyes Naked Chicken Strips™

DIRECTORS and SHAREHOLDER INFORMATION

BOARD OF DIRECTORS

Frank J. Belatti
Chairman and CEO
AFC Enterprises, Inc.
Director since: 1992 Age: 57

Victor Arias, Jr.
Partner
Heidrick & Struggles
Director since: 2001 Age: 48

Carolyn Hogan Byrd
Founder, Chair & CEO
GlobalTech Financial, LLC
Director since: 2001 Age: 56

R. William Ide, III
Partner
McKenna Long & Aldridge, LLP
Director since: 2001 Age: 64

Kelvin J. Pennington
President
Pennington Partners & Co.
Director since: 1996 Age: 46

John M. Roth
Principal
Freeman Spogli & Co.
Director since: 1996 Age: 46

Ronald P. Spogli
Principal
Freeman Spogli & Co.
Director since: 1996 Age: 57

Peter Starrett
President
Peter Starrett Associates
Director since: 1998 Age: 57

PRINCIPAL OFFICE

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Suite 1700
Atlanta, GA 30328-5352
770-391-9500

OTHER INFORMATION

The Company's press releases, annual report and other information can be accessed through its home page on the World Wide Web at www.afce.com.

STOCK TRANSFER AGENT

SunTrust Bank
Stock Transfer Department
Mail Code 0258
P. O. Box 4625
Atlanta, GA 30302-4625
800-568-3476
www.suntrust.com

ANNUAL MEETING

AFC's 2005 Annual Meeting will be held at the Crowne Plaza Hotel Atlanta-Ravinia (Perimeter Center)
4355 Ashford Dunwoody
Atlanta, GA 30346
9:00 a.m., May 3, 2005
www.cpravinia.com

FORM 10-K

The Company's 2004 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.
Six Concourse Parkway
Suite 1700
Atlanta, GA 30328-5352
Attn: Investor Relations
www.investor.afce.com

On December 28, 2004, AFC sold its Church's Chicken™ brand to an affiliate of Crescent Capital Investments, Inc. for approximately $379.0 million in cash and a $7.0 million subordinated note. Concurrent with the sale of Church's, the Company sold certain real property to a Church's franchisee for approximately $3.7 million in cash. The combined cash proceeds of these two sales, net of transaction-related costs, are estimated at $373.0 million.

On November 4, 2004, AFC sold its Cinnabon® subsidiary to Focus Brands Inc. for approximately $21.0 million in cash. The agreement included the sale of certain franchise rights for Seattle's Best Coffee®, which were retained following the sale of the Seattle Coffee Company to Starbucks Corporation in July 2003.

Church's Chicken™ is a registered trademark of Cajun Operating Company, under license by Cajun Funding Corp.

Cinnabon® is a registered trademark of Cinnabon, Inc.

Seattle's Best Coffee® is a registered trademark of Seattle's Best Coffee, LLC.

FINANCIAL HIGHLIGHTS (Continuing Operations) & Key Operational Metrics [1]

(Dollars in millions)	**2004**	2003	2002
Franchise revenues	**$ 72.8**	$ 70.8	$ 67.1
Total revenues[2]	**$ 163.9**	$ 161.5	$ 158.9
Segment information[3]			
Chicken operating profit	**$ 43.7**	$ 36.5	$ 52.0
Corporate operating loss	**$ (63.1)**	$ (56.2)	$ (41.7)
Loss before discontinued operations and accounting change	**$ (14.3)**	$ (14.5)	$ (6.4)
System-wide sales[4]	**$ 1,538**	$ 1,471	$ 1,420
Domestic system same-store sales growth	**1.3%**	(2.6)%	0.7%
Unit openings	**109**	177	169
Total units	**1,825**	1,806	1,712

(1) The information presented in the table relates to AFC's continuing operations. The Company sold Church's Chicken and Cinnabon in 2004, and Seattle Coffee Company in 2003 and accordingly, results of those operations have been excluded from the above statistics. Refer to 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 for additional information concerning financial performance.

(2) Total revenues include, in 2004, $12.6 million in sales related to two Popeyes franchisees that were consolidated as part of AFC's adoption of FIN46R.

(3) Refer to Note 24 of the Notes to Consolidated Financial Statements, Segment Information (Continuing Operations).

(4) System-wide sales represent combined sales of all restaurants that we operate or franchise. Information for franchised units is provided by our franchisees. System-wide sales are unaudited.

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this Annual R eport and other written or oral statements made by or on behalf of AFC or its brand are "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. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are:

- adverse effects of litigation or regulatory actions arising in connection with the restatement of our previously issued financial statements;
- the loss of franchisees and other business partners;
- failure of our franchisees;
- the loss of senior management and the ability to attract and retain additional qualified management personnel;
- a decline in the number of new units to be opened by franchisees;
- competition from other restaurant concepts and food retailers;
- the need to continue to improve our internal controls;
- completion by management and our independent auditors of their audit and attestation procedures under Section 404 of the Sarbanes-Oxley Act of 2002;
- limitations on our business under our credit facility;
- a decline in our ability to franchise new units;
- increased costs of our principal food products;
- labor shortages or increased labor costs;
- slowed expansion into new markets;
- changes in consumer preferences and demographic trends, as well as concerns about health or food quality;
- unexpected and adverse fluctuations in quarterly results;
- increased government regulation;
- 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;
- liabilities for environmental contamination;
- and the other risk factors detailed in our 2004 Annual Report on Form 10-K and other documents we file with the Securities and Exchange Commission.

You should not place undue reliance on any forward-looking statements, since those statements speak only as of the date they are made.

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Photography: Jerry Siegel
Printing: L.P. Thebault, Bowne

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