



Frank J. Belatti  
Office of the Chairman

Dear Stakeholders,

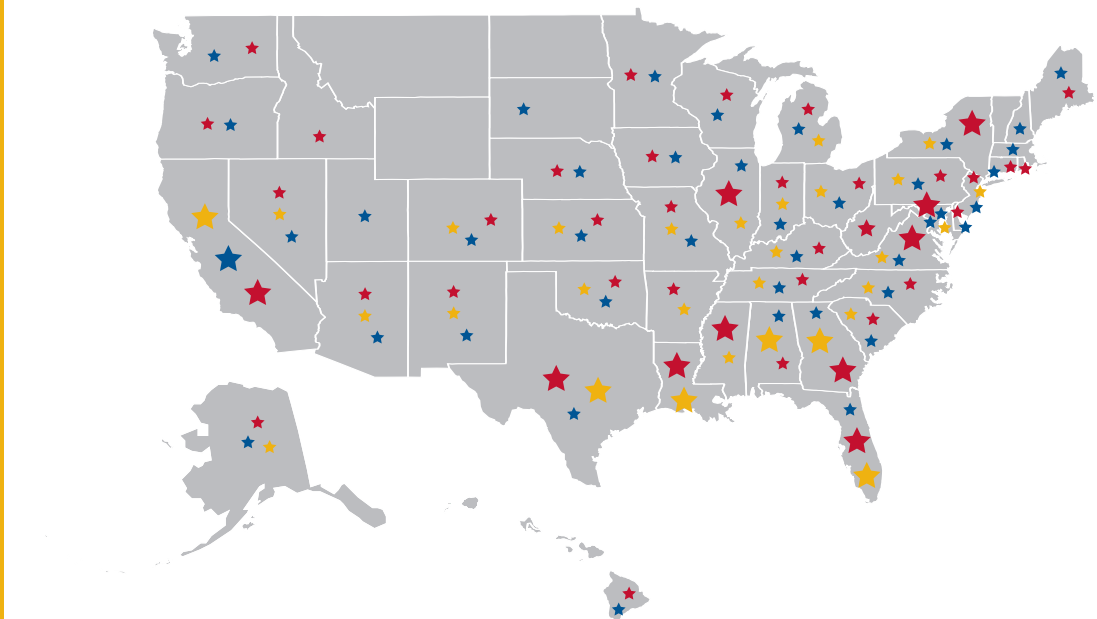
Henry Ford once said that our best friends are those who bring out the best in us. If that is so, then all of us at AFC have a wealth of best friends.

During the last year, these people brought out the best in us despite some difficult times. They stood by us. They encouraged us. They believed in us and in the strength of our bonds . . .



Six Concourse Pkwy  
Suite 1700  
Atlanta, GA 30328-5352

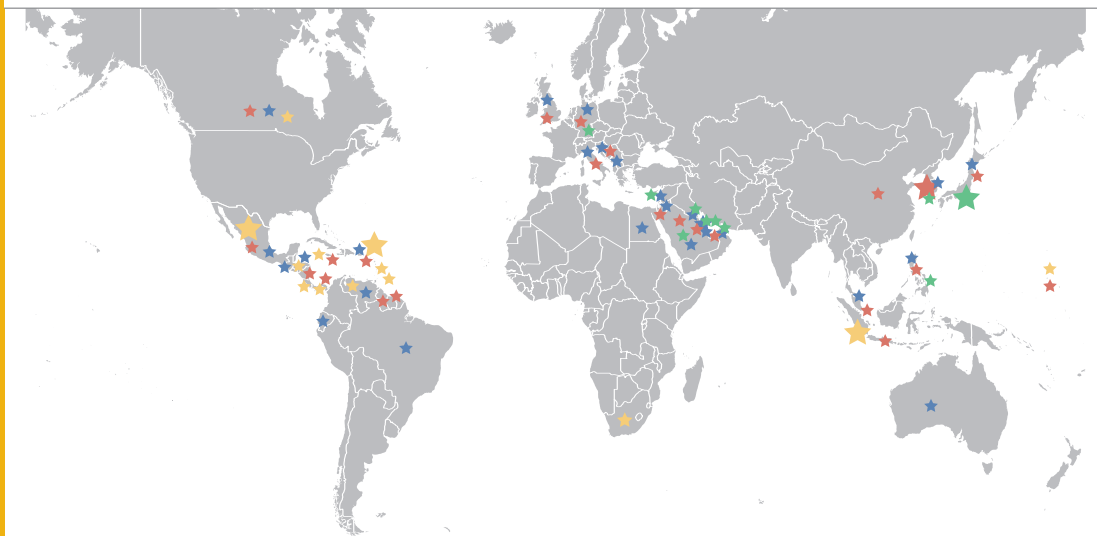
## GROWING OUR PRESENCE



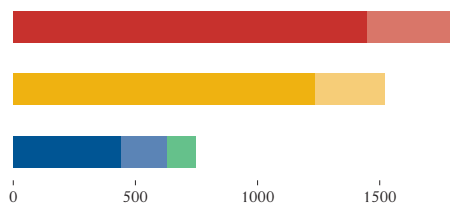
### Key

- Popeyes Domestic
- Popeyes International
- Church's Domestic
- Church's International
- Cinnabon Domestic
- Cinnabon International
- Seattle's Best Coffee International

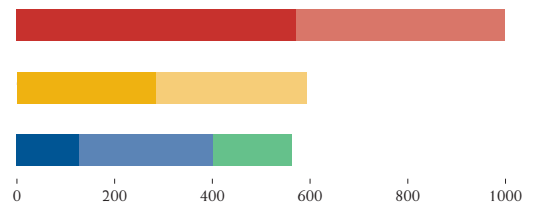
49 or fewer units ★  
50 or more units ★



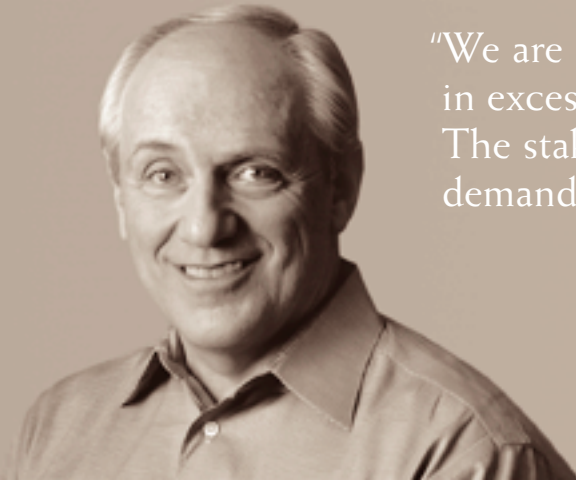
### Total units



### Outstanding commitments



Dear Stakeholders,



"We are setting objectives for ourselves that are well in excess of what many people may expect of us. The stakeholders who have stood by us, who demanded the best in us, deserve nothing less."

Frank J. Belatti, Chairman and CEO

Henry Ford once said that our best friends are those who bring out the best in us. If that is so, then all of us at AFC have a wealth of best friends.

During the last year, these people brought out the best in us despite some difficult times. They stood by us. They encouraged us. They believed in us and in the strength of our brands.

These people are our stakeholders—our customers, our franchise partners, our employees and our shareholders.

They were there for us. Now, we're working harder than ever for them to increase the value of our brands and our company.

Last year, we took a hard look at everything we've ever done. We evaluated and assessed everything about AFC. Our people. Our systems. Our brands. Our portfolio.

Everything.

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.

### **A year of assessment**

2003 was a year of people dealing with challenges. And all the while, not losing their focus. Not losing their capacity to do their job. Not giving in. Not giving up.

Now, well into 2004, we are seeing how this assessment and rebuilding will benefit our customers, our franchise partners, our employees and our shareholders. I'd like to share a few thoughts with you about each group.

Serving the customers of today—and tomorrow



"After a busy day at work, picking up the kids, fixing up the house and paying all my bills, Church's is always there with a hot, satisfying meal that I can feel proud to serve my family."

Claudia Penuela — AFC Customer

Last year, we spent more time than ever before working to get to know and understand our customers better. We started by conducting our highest level of consumer-based research in four years and by asking a lot of questions.

- How are we treating our customers?
- How can we make their dining experience more interesting, more satisfying and more comfortable?
- How can we provide them with better service?
- How can we provide them with the highest quality food, more variety, more portability and better nutrition?

I am excited about the results of this work.

We developed a number of new products for all three of our brands.

We began implementing new operational and consumer-response technology.

We designed new facilities.

It is all focused on making our guests happier so that they will visit more often—to make occasional customers more loyal and to make loyal customers more frequent.

We are rolling out these products, technologies and facilities now and will begin to see the impact of these initiatives in 2004.

**Strengthening our relationships with franchise partners**

"This year presented a number of issues for franchise partners to address, including an increasingly competitive environment and growing nutritional sensitivities. I see these areas as opportunities for us to challenge ourselves creatively with new marketing and innovative menu development that will take the competition head-on, while offering items that will appeal to a broad range of customers."

Ellen Hui — AFC Franchise Partner



Our relationships with our franchise partners are built around an ideology of partnership. I am very proud of the efforts we made in 2003 to strengthen those partnerships.

We are:

- Increasing our support for our franchise partners by adding resources and people;
- Taking design and construction costs out of our restaurants and bakeries so our franchise partners can build them more efficiently;
- Instituting new supply chain strategies that lower our franchise partners' costs of doing business; and
- Making our concepts more contemporary and relevant so our franchise partners can open units they can continue to be proud of and run for 20 years—or more.

From new creativity in our advertising to new operational enhancement programs—we're doing everything we can to make our brands a better investment for our franchise partners.

### Celebrating AFC employees



D'Wayne Tanner — AFC Employee

"This company has a great deal to offer. The employees have certainly demonstrated their resilience. Our current crusade is to implement brand-building initiatives that will lead to responsible and targeted growth for the overall enterprise."

Despite the challenges of the last several months, we have found a number of reasons to celebrate. Many of those reasons are our people. Some real heroes emerged who took on additional responsibilities and did what had to be done.

They generated the ideas that are fueling our growth. They turned those ideas into action. They are now turning that action into excitement at each of our brands.

I celebrate their ingenuity, inventiveness and creativity. Their courage, tenacity and confidence. Their belief in their brands and one another. I celebrate the extremely long hours they worked for this company. I celebrate their belief and trust during a very tough time.

I also celebrate the new people who have come to this company, excited to be a part of our next wave of growth and opportunity.

And, I celebrate the incredible attitude that our people have shown in putting their focus not on themselves, but on our guests and franchise partners.

#### Employee Involvement

**AFC believes in giving back to the community we serve.**

We and our employees support a number of organizations including:

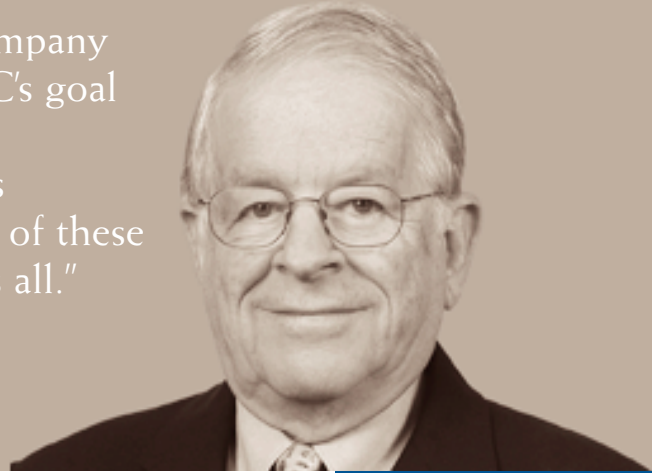
- Habitat for Humanity, International
- The Carter Center
- Women's Foodservice Forum
- U.S. Hispanic Chamber of Commerce
- United Negro College Fund



**Maintaining an ongoing dialogue with shareholders**

"I have been a shareholder of AFC since the company went public in March 2001. I believe that AFC's goal to maximize the value of the company will be accomplished by addressing the needs of all its stakeholders. Taking action to meet the needs of these constituents will create and unlock value for us all."

David Roos — AFC Shareholder



The past year has been an outstanding demonstration of the quality of our current shareholder community. Through their very clear actions, they showed all of us at AFC and the rest of the world that they believe in us. They asked us a lot of tough questions. They supported us during a difficult time. They encouraged us.

This experience has brought us even closer together with our current shareholders. I have to wonder how many public companies can honestly say that they have had as much communication and dialogue with their shareholder base as we have.

Yet, I hasten to point out that this added communication was not a strain on us. It was not something that we did reluctantly. We did it enthusiastically. And, they were an equally engaged audience. They called. They wrote. They asked the hard questions.

And we responded. We responded to every one of them. We responded with fair and open communications to all of our shareholders.

In 2003, we began to discover what a best-of-class relationship with our shareholders is really all about. It's not something that has to be legislated. It's not something that the SEC or Sarbanes-Oxley has taught us.

What we have discovered is simply this: the more we communicate, the stronger our relationships become. So, even though our frequent communications were dictated by extreme circumstances, we are going to continue this style of communications going forward.

You won't have to wait for a shareholder letter or an annual report to hear from us. We will keep you informed about our progress in all of the areas I have discussed in this letter. And, as always, we would like to continue to hear from you.

A year of growth



A year of assessment.  
A year of growth.

Nobel Prize-winning author Hermann Hesse wrote, "I have always believed, and I still believe, that whatever good or bad fortune may come our way we can always give it meaning and transform it into something of value."

That is exactly what we're committed to do at AFC. We've learned to take a much more critical look at our brand portfolio, our systems, our processes, our staffing and our business. With this new mindset, we expect to take deliberate actions that will unlock value as a whole. Value for our customers, our franchise partners, our employees and our shareholders.

As we have said before, we still face significant challenges in 2004, such as resolving the outstanding litigation arising out of our earnings restatement and getting back on a timely financial reporting schedule. In addition, we look forward to applying for the relisting of our shares on the NASDAQ National Market.

No company ever wants to go through what we did. Yet I look back and am thankful for the hard lessons I learned and new understanding we now have. The team, including those who have recently joined us, has been transformed. Our plans for the future have been transformed. All of us are so much better and our resolve so much stronger.

It was a year of critical assessment and wrenching change. It taught us that if you don't know how much better you need to be, sometimes it's hard to be better. We now realize how much better we need to be. We are taking a fresh look at our brands and the role of our corporate center. We are setting objectives for ourselves that are well in excess of what many people may expect of us.

Frank J. Belatti  
Chairman and CEO

The stakeholders who have stood by us, who demanded the best in us, deserve nothing less.



### Popeyes® Chicken and Biscuits: Hot Again!

In 2003, Popeyes tied its annual record for total restaurant openings. Driving our performance was a record number of restaurant openings internationally. Going forward, our focus is to build upon this hot streak by lighting the fire that accelerates brand growth.

We plan to do this, in part, by sharpening Popeyes' brand positioning and further driving operations excellence. You can already see the beginnings of this work as we evolve our positioning statement from "Cajun Our Way®" to "New Orleans Style." We are also driving our brand positioning by enhancing our menu options with increased seafood offerings, new chicken products and sandwiches.

In addition, we will increase our focus on improvements in our system-wide operations that will enable us to deliver a guest experience that encourages more frequent visits. By improving our operational foundations, we will be better positioned to successfully launch our brand in new and emerging markets.

[www.popeyes.com](http://www.popeyes.com)



### Church's Chicken™: Extending and Expanding.

Church's is extremely optimistic about the coming year. We believe the positive sales performance from the fourth quarter of 2003 will build momentum that will continue throughout 2004.

There are a number of reasons for our recent sales growth, including the introduction of some exciting new products, focused operational improvements and new talent in key roles.

Our goals for the year ahead are to further extend the appeal of Church's to shared guests and light users, while maintaining our core customers. At the same time, we plan to expand the reach of our brand to targeted markets, both domestically and internationally.

We will implement this strategic unit growth with a focused franchising strategy. Our objective will be to selectively build market share in order to become more media efficient in specific markets. We will be selective in our new franchise relationships by working with those franchise partners who possess both the desire and the capacity to extend the brand.

[www.churchs.com](http://www.churchs.com)



### Cinnabon®: A Year of Transformation.

Last year, we began to transform Cinnabon from primarily a single-product, captive venue-based concept into a global brand that features a variety of Cinnabon products in multiple channels and venues.

As part of this strategy, we have enhanced Cinnabon's destination appeal by focusing on increased portability, addressing nutritional sensitivities and expanding product variety. In support of these efforts, we have introduced such items as CinnaPoppers™, Frusia® fat free blended drinks and Minibon® products with fruit-fillings such as apple and strawberry.

We are also enhancing the appeal of our brand by introducing new Cinnabon licensed products. They include Orville Redenbacher's Cinnabon gourmet popcorn and Cinnabon Cinnamon Streusel Jumbo Muffin baking mix by Betty Crocker®. These are just the first steps in a broader brand-building initiative aimed at bringing the Cinnabon product experience to more consumers in an increased number of locations.

[www.cinnabon.com](http://www.cinnabon.com)



## DIRECTORS, OFFICERS and SHAREHOLDER INFORMATION

### BOARD OF DIRECTORS

Frank J. Belatti  
Chairman and CEO  
AFC Enterprises, Inc.  
Director since: 1992 Age: 56

Dick R. Holbrook  
President and COO  
AFC Enterprises, Inc.  
Director since: 1996 Age: 51

Victor Arias, Jr.  
Executive Search Consultant  
Spencer Stuart  
Director since: 2001 Age: 47

Carolyn Hogan Byrd  
Founder, Chair & CEO  
GlobalTech Financial, LLC  
Director since: 2001 Age: 55

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: 45

John M. Roth  
Principal  
Freeman Spogli & Co.  
Director since: 1996 Age: 45

Ronald P. Spogli  
Principal  
Freeman Spogli & Co.  
Director since: 1996 Age: 56

Peter Starrett  
President  
Peter Starrett Associates  
Director since: 1998 Age: 56

### AFC LEADERSHIP TEAM

Frank J. Belatti  
Chairman and CEO

Dick R. Holbrook  
President and COO

Fred Beilstein  
Chief Financial Officer

Hala Modellmog  
President – Church's Chicken

Chris Elliott  
President – Cinnabon

Allan Tanenbaum  
Senior Vice President – Legal  
Affairs, General Counsel and  
Secretary

Mel Hope  
Senior Vice President –  
Finance and Chief  
Accounting Officer

Margaret Godsea  
Senior Vice President and  
Chief Information Officer

Sonny Cohen  
Vice President and Deputy  
General Counsel

Gary Hunt  
Vice President and Treasurer

Felise Glantz Kissell  
Vice President – Investor  
Relations and Finance

Lisa Morse  
Vice President – Legal and  
Chief Compliance Officer

Doug Pendergast  
Vice President –  
Strategic Planning

Stan Stout  
Vice President and Chief  
People Services Officer

### PRINCIPAL OFFICE

Six Concourse Parkway  
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](http://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](http://www.suntrust.com)

### ANNUAL MEETING

AFC's 2004 Annual Meeting will be held  
at the Crowne Plaza Ravinia Hotel  
4355 Ashford Dunwoody Road, NE  
Atlanta, GA 30346  
10:00 a.m., July 19, 2004  
[www.crowneplazaravinia.com](http://www.crowneplazaravinia.com)

### FORM 10-K/A

The Company's 2003 Annual Report on  
Form 10-K/A, 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/A 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](http://www.investor.afce.com)



## AFC UPDATE

### AFC Enterprises Expands Exploration of Strategic Alternatives to Include Church's Chicken™

ATLANTA, June 2, 2004 -- AFC Enterprises, Inc. (Ticker: AFCE), the franchisor and operator of Popeyes® Chicken & Biscuits, Church's Chicken™, Cinnabon® and the franchisor of Seattle's Best Coffee® in Hawaii, on military bases and internationally, today announced that the Company intends to explore strategic alternatives for its Church's Chicken brand, including a possible sale. As previously announced on April 20, 2004, AFC is also exploring strategic alternatives for its Cinnabon subsidiary, including a possible sale. The Company's Board of Directors has engaged Bear, Stearns & Co. Inc. to advise it in connection with the exploration of strategic alternatives for both Church's and Cinnabon.

Frank Belatti, Chairman and CEO of AFC Enterprises, stated, "This announcement today further illustrates AFC's ongoing commitment to enhance shareholder value. The expanded exploration of strategic alternatives is part of an effort to ensure that our share price reflects the full, intrinsic value of the Church's business. AFC is proud of the Church's team's achievements, their recent strong performance, and believe that now is an opportune time to explore strategic alternatives."

Church's consistent track record of growth has been driven by domestic and international franchising as well as increased same-store sales growth. As of April 18, 2004, the Church's system was comprised of 281 company owned, 955 domestic franchise, and 292 international franchise restaurants. Recently, Church's has embarked on an extensive reimagining program, a system-wide operational improvement initiative in an effort to drive same-store sales growth and has also made key additions to its management team.

Church's Chicken, one of the most established quick service restaurant systems in the United States, is the third largest quick service chicken concept, measured by number of units, and one of the most highly recognized QSR brands. Church's serves traditional Southern Fried Chicken with a focus on offering complete meals with large portions at low prices and positions itself as the Value Leader in the Chicken QSR category.

There can be no assurance that the Company will implement any strategic alternatives for its Church's Chicken brand.

### Corporate Profile

AFC Enterprises, Inc. is the franchisor and operator of 4,095 restaurants, bakeries and cafes as of April 18, 2004, in the United States, Puerto Rico and 38 foreign countries under the brand names Popeyes® Chicken & Biscuits, Church's Chicken™ and Cinnabon®, and the franchisor of Seattle's Best Coffee® in Hawaii, on military bases and internationally. AFC's primary objective is to be the world's Franchisor of Choice® by offering investment opportunities in highly recognizable brands and exceptional franchisee support systems and services. AFC Enterprises can be found on the World Wide Web at [www.afce.com](http://www.afce.com).

#### AFC Contact Information:

Felise Glantz Kissell, Vice President, Investor Relations & Finance  
(770) 353-3086 or [fkissell@afce.com](mailto:fkissell@afce.com)

Certain statements in this AFC Update are "forward-looking" statements within the federal securities laws and are subject to the Cautionary Note regarding forward-looking statements included in the enclosed 10-K/A.

## AFC UPDATE

### AFC Enterprises Announces Exploration of Strategic Alternatives for Cinnabon

ATLANTA, April 20 /PRNewswire-FirstCall/ -- AFC Enterprises, Inc. (Ticker: AFCE), the franchisor and operator of Popeyes® Chicken & Biscuits, Church's Chicken™, Cinnabon® and the franchisor of Seattle's Best Coffee® in Hawaii, on military bases and internationally, today announced its intention to explore strategic alternatives with respect to its Cinnabon subsidiary, including a possible sale, as part of AFC's continued effort to sharpen its strategic focus and maximize shareholder value. Cinnabon also owns the international franchise rights for Seattle's Best Coffee in eleven countries, Hawaii, and U.S. military bases, which is also expected to be part of any transaction. The Company's Board of Directors has engaged Bear, Stearns & Co. Inc. to advise it in connection with the exploration of strategic alternatives for Cinnabon, including a possible sale.

Cinnabon's continued growth primarily in traditional retail locations such as malls, airports and travel venues has resulted in 617 system-wide bakeries as of February 22, 2004. In addition, Cinnabon has increasingly leveraged its strong brand equity to expand into the consumer products and food categories through licensing. Most recently, Cinnabon entered into licensing agreements for Betty Crocker® Cinnamon Streusel Muffin Mix, Orville Redenbacher's® gourmet popcorn, Lotta Luv LLC lip gloss and lip balms, and Sun-Maid® Raisin Bread. Cinnabon has executed its licensing strategy through the mass merchandising, club store and grocery distribution channels with major retailers such as Wal-Mart, Target, Costco and Sam's Club. In 2003, Cinnabon had over 10,000 of these distribution outlets selling Cinnabon licensed products.

Frank Belatti, Chairman and CEO of AFC Enterprises, stated, "The action announced today illustrates AFC's ongoing commitment to refine and focus our business model. Since AFC acquired Cinnabon in October 1998, Cinnabon has pursued growing its business through retail franchising while identifying and leveraging other areas of growth through its licensing initiatives. We believe that the value of Cinnabon will be maximized by positioning the brand to take full advantage of such potential future growth opportunities, and we will be exploring alternatives to do so."

There can be no assurance that the Company will implement any strategic alternatives for its Cinnabon subsidiary.

### Corporate Profile

AFC Enterprises, Inc. is the franchisor and operator of 4,091 restaurants, bakeries and cafes as of February 22, 2004, in the United States, Puerto Rico and 36 foreign countries under the brand names Popeyes® Chicken & Biscuits, Church's Chicken™ and Cinnabon®, and the franchisor of Seattle's Best Coffee® in Hawaii, on military bases and internationally. AFC's primary objective is to be the world's Franchisor of Choice® by offering investment opportunities in highly recognizable brands and exceptional franchisee support systems and services. AFC Enterprises can be found on the World Wide Web at [www.afce.com](http://www.afce.com).

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FINANCIAL HIGHLIGHTS (CONTINUING OPERATIONS) & KEY OPERATIONAL METRICS <sup>(1)</sup>

(Dollars in millions)	2003	2002	2001
Franchise revenues	\$ 114.3	\$ 109.8	\$ 100.3
Total revenues	\$ 459.3	\$ 524.7	\$ 597.5
(Loss) income before discontinued operations and accounting change	\$ (6.0)	\$ 29.0	\$ 22.6
Net cash provided by operating activities of Continuing Operations	\$ 50.1	\$ 91.1	\$ 61.5
Capital expenditures of Continuing Operations	\$ 24.3	\$ 43.5	\$ 49.1
System-wide sales <sup>(2)</sup>	\$ 2,610.8	\$ 2,552.0	\$ 2,443.3
Domestic same-store sales growth	(2.5)%	(0.7)%	3.1%
Unit openings	336	422	411
Outstanding commitments	2,154	2,550	2,288
Total units	4,091	3,924	3,735

(1) The information presented in the table relates to AFC's continuing operations. The company sold substantially all the operations of Seattle Coffee Company in 2003 and accordingly, results of those operations have been excluded. 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/A for additional information concerning financial performance.

(2) System-wide sales represents combined sales of all restaurants, bakeries, and cafes that we operate or franchise. Information for franchised units is provided by our franchisees. System-wide sales are unaudited.

## CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report, and other written or oral statements made by or on behalf of AFC or its brands 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 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 inability to attract and retain additional qualified management personnel;
- a decline in the number of new units to be opened by franchisees;
- the inability to relist our securities with the Nasdaq National Market or another major securities market or exchange;
- our inability to address deficiencies and weaknesses in our internal controls;
- our inability to successfully implement new computer systems;
- limitations on our business under our credit facility;
- our inability to enter into new franchise relationships and 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;
- our inability to compete with others in the QSR industry
- unexpected and adverse fluctuations in quarterly results;
- increased government regulation;
- growth in our franchise system that exceeds our resources to serve that growth;
- 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 risk factors detailed in our Annual Report on Form 10-K/A for the year ended December 28, 2003 and the 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.

Design: Eisenman Associates  
Photography: Jerry Siegel, Ben Rosenthal  
Printing: Geographics, Bowne





Frank J. Belatti  
Chairman/CEO



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