

Perkins & Marie Callender's Inc.

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Press Release

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FOR IMMEDIATE RELEASE

PERKINS & MARIE CALLENDER'S INC. REPORTS RESULTS FOR THE THIRD QUARTER ENDED OCTOBER 5, 2008

Memphis, TN, November 19, 2008 – Perkins & Marie Callender's Inc. (together with its consolidated subsidiaries, the "Company" or "we") is reporting today the financial results for its third quarter ended October 5, 2008.

Highlights for the third quarter of 2008 as compared to the third quarter of 2007 were:

- Total revenues were down 2.6% to \$127.9 million in the third quarter of 2008, primarily due to decreases in comparable sales at Perkins and Marie Callender's restaurants, partially offset by the operations of six new Company-operated Perkins restaurants. Since the third quarter of 2007, the Company has opened six new Perkins restaurants and acquired one Perkins restaurant from a franchisee.
- One Perkins franchised restaurant opened during the third quarter of 2008 and two Perkins franchised restaurants were closed during the third quarter of 2008.
- Perkins restaurants' comparable sales decreased by 3.7% and Marie Callender's restaurants' comparable sales decreased by 8.6% in the third quarter of 2008 as compared to the third quarter of 2007. These declines in comparable sales resulted primarily from a decrease in comparable guest counts at both concepts.
- We refinanced our existing term loan and revolver with \$132.0 million of secured notes and a new \$26.0 million revolver. The related debt agreements governing the secured notes and the new revolver contain minimal financial maintenance covenants. In connection with the refinancing, the Company received \$12.5 million in contributions from its parent and affiliates.

J. Trungale, President and Chief Executive Officer of Perkins & Marie Callender's Inc., commented, "Economic conditions during the third quarter 2008 presented unprecedented challenges to the restaurant industry as a whole, including Perkins & Marie Callender's Inc. Despite this, we successfully refinanced our secured debt, which we believe speaks to the inherent strength of our brands. Foxtail continues to be in a recovery mode. We are diligently improving its systems and management strength in order to improve its manufacturing processes and financial results. Finally, in light of current economic conditions, we have implemented value-driven initiatives across both the Perkins and Marie Callender's brands in order to attract customers by offering less expensive menu items and alternatives. Although the economy has clearly impacted overall guest count, we remain steadfast in our long term commitment to high service levels and quality."

Third Quarter of 2008 Financial Results

Revenues in the third quarter of 2008 decreased 2.6% to \$127.9 million from \$131.3 million in the third quarter of 2007. The decrease resulted from a \$4.0 million decrease in sales in the restaurant segment and a \$0.6 million decrease in sales in the franchise segment, partially offset by a \$1.2 million increase in sales in the Foxtail segment.

Food cost for the third quarter of 2008 increased to 29.6% of food sales from 28.5% in the third quarter of 2007. Restaurant segment food cost was down by 0.3% to 26.2% of food sales in the third quarter of 2008 as the impact of higher commodity costs were fully offset by menu price increases and improved store-level controls. In the Foxtail segment, food cost increased to 66.7% of food sales in the third quarter of 2008 from 60.8% in the third quarter of 2007, due primarily to higher dairy and flour prices.

Labor and benefits costs, as a percentage of total revenues, decreased by 0.1% to 32.4% in the third quarter of 2008 compared to the third quarter of 2007. In the third quarter of 2008, a 0.2% decrease in the restaurant segment resulting from lower employee medical insurance costs was partially offset by increases resulting from higher seasonal contract labor costs in the Foxtail segment.

Operating expenses for the third quarter of 2008 were \$34.2 million, or 26.8% of total revenues, compared to \$34.7 million, or 26.4% of total revenues in the third quarter of 2007. Restaurant segment operating expenses increased by 0.5% to 29.3% of restaurant sales in the third quarter of 2008 due primarily to increased utilities costs. Operating expenses in the Foxtail segment increased by \$0.3 million or 1.1% to 12.6% of segment food sales due primarily to higher custodial service costs resulting from a 2008 outsourcing arrangement and from higher repair and maintenance costs.

General and administrative expenses were 8.3% of total revenues, an increase of 1.7% from the third quarter of 2007. The increase is due primarily to higher marketing costs at Foxtail and increased consulting costs.

Depreciation and amortization was 4.5% and 4.6% of revenues in the third quarters of 2008 and 2007, respectively.

Interest, net was 6.7% of revenues in the third quarter of 2008, compared to 5.5% in the prior year's third quarter. The 1.2% increase resulted mainly from an increase in the average effective interest rate on the Company's debt to 11.9% from 10.3% during the third quarter of 2008 compared to the third quarter of 2007, and an approximate \$8.4 million increase in the average debt outstanding during the third quarter of 2008 compared to the third quarter of 2007.

On September 24, 2008, the Company issued \$132.0 million of 14% senior secured notes and entered into a new \$26.0 million revolving credit facility, in connection with the refinancing of its then existing \$100.0 million term loan and \$40.0 million revolver. The pre-existing credit agreement terminated upon the consummation of the refinancing. In connection with this transaction, we recognized a loss of \$3.0 million, representing the write-off of previously deferred financing costs related to the terminated credit agreement.

As of October 5, 2008, we recorded a non-cash goodwill impairment charge of \$20.2 million, comprised of \$18.5 million to our franchise segment and \$1.7 million to our Foxtail segment. We also reviewed all identifiable intangible assets, and, based on the results of our interim review, no additional impairment charges were considered necessary.

Adjusted EBITDA

The Company defines adjusted EBITDA as net income or loss before income taxes or benefits, interest expense (net), depreciation and amortization, transaction costs, asset impairments and closed store expenses, goodwill impairment, loss on extinguishment of debt and other income and expense items unrelated to operating performance. The Company considers adjusted EBITDA to be an important measure of performance from core operations because adjusted EBITDA excludes various income and expense items that are not indicative of the Company's operating performance. The Company believes that adjusted EBITDA is useful to investors in evaluating the Company's ability to incur and service debt, make capital expenditures and meet working capital requirements. The Company also believes that adjusted EBITDA is useful to investors in evaluating the Company's operating performance compared to that of other companies in the same industry, as the calculation of adjusted EBITDA eliminates the effects of financing, income taxes and the accounting effects of capital spending, all of which may vary from one company to another for

reasons unrelated to overall operating performance. The Company's calculation of adjusted EBITDA is not necessarily comparable to that of other similarly titled measures reported by other companies. Adjusted EBITDA is not a presentation made in accordance with U.S. generally accepted accounting principles and accordingly should not be considered as an alternative to, or more meaningful than, earnings from operations, cash flows from operations or other traditional indications of a company's operating performance or liquidity. The following table provides a reconciliation of net loss to adjusted EBITDA:

(unaudited; in thousands)	Third Quarter Ended October 5, 2008	Third Quarter Ended October 7, 2007	Year-to-Date Ended October 5, 2008	Year-to-Date Ended October 7, 2007
Net loss	\$ (30,477)	(4,345)	(46,130)	(9,817)
Benefit from income taxes	(1,260)	109	(938)	109
Interest, net	8,568	7,189	26,871	23,887
Depreciation and amortization	5,741	6,051	19,111	18,941
Transaction costs	-	261	-	1,013
Asset impairments and closed store expenses	61	472	614	481
Goodwill impairment	20,202	-	20,202	-
Loss on extinguishment of debt	2,952	-	2,952	-
Pre-opening expenses	14	751	339	1,185
Management fees	838	825	2,764	2,751
Other items	-	358	529	709
Adjusted EBITDA	\$ 6,639	11,671	26,314	39,259

About the Company

Perkins & Marie Callender's Inc. operates two restaurant concepts: (1) full-service family dining restaurants, which serve a wide variety of high quality, moderately-priced breakfast, lunch and dinner entrees, under the name Perkins Restaurant and Bakery, and (2) mid-priced, casual-dining restaurants specializing in the sale of pie and other bakery items under the name Marie Callender's Restaurant and Bakery. As of October 5, 2008, the Company owned and operated 164 Perkins restaurants and franchised 317 Perkins restaurants. The Company also owned and operated 76 Marie Callender's restaurants, two Callender's Grill restaurants, an East Side Mario's restaurant and 12 Marie Callender's restaurants under partnership agreements. Franchisees owned and operated 41 Marie Callender's restaurants and one Marie Callender's Grill.

Conference Call

Perkins & Marie Callender's Inc. has scheduled a conference call for Monday, November 24, 2008, at 10:00 a.m. (CST) to review the third quarter 2008 earnings. The dial-in number for the conference call is (866) 207-2203 and the access code number is 72645258. A taped playback of this call will be available two hours following the call on Monday, November 24, 2008, through midnight (CST) on Monday, December 1, 2008. The taped playback can be accessed by dialing (800) 642-1687 and by using access code number 72645258.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by the use of forward-looking terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "should," or "will," or the negative thereof or other variations thereon or comparable terminology.

Perkins & Marie Callender's Inc. has based these forward-looking statements on its current expectations, assumptions, estimates and projections. While the Company believes these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond its control. Some of the key factors that could cause its actual results, performance or achievements to differ materially from any future results,

performance or achievements expressed or implied by these forward-looking statements include the following:

- general economic conditions, consumer preferences and demographic patterns, either nationally or in particular regions in which we operate;
- our substantial indebtedness;
- our liquidity and capital resources;
- competitive pressures and trends in the restaurant industry;
- prevailing prices and availability of energy, raw materials, food, supplies and labor;
- a failure to obtain timely deliveries from our suppliers or other supplier issues;
- our ability to successfully implement our business strategy;
- relationships with franchisees and financial health of franchisees;
- legal proceedings and regulatory matters;
- our development and expansion plans; and
- other factors highlighted from time to time in our filings made pursuant to the Exchange Act with the Securities and Exchange Commission.

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in this press release are made only as of the date hereof. Actual results of Perkins & Marie Callender's Inc. could differ materially from those contained in the forward-looking statements. Perkins & Marie Callender's Inc. does not undertake and specifically declines any obligation to update any such statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments.

PERKINS & MARIE CALLENDER'S INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands)

	Third Quarter Ended October 5, 2008	Third Quarter Ended October 7, 2007	Year-to-Date Ended October 5, 2008	Year-to-Date Ended October 7, 2007
REVENUES:				
Food sales	\$ 121,210	124,031	418,632	415,621
Franchise and other revenue	6,691	7,281	22,635	24,087
Total revenues	<u>127,901</u>	<u>131,312</u>	<u>441,267</u>	<u>439,708</u>
COSTS AND EXPENSES:				
Cost of sales (excluding depreciation shown below):				
Food cost	35,867	35,379	123,428	116,387
Labor and benefits	41,417	42,700	144,105	143,069
Operating expenses	34,240	34,693	115,361	111,377
General and administrative	10,612	8,675	35,727	33,575
Transaction costs	-	261	-	1,013
Depreciation and amortization	5,741	6,051	19,111	18,941
Interest, net	8,568	7,189	26,871	23,887
Asset impairments and closed store expenses	61	472	614	481
Goodwill impairment	20,202	-	20,202	-
Loss on extinguishment of debt	2,952	-	2,952	-
Other, net	(27)	(37)	(117)	277
Total costs and expenses	<u>159,633</u>	<u>135,383</u>	<u>488,254</u>	<u>449,007</u>
Loss before income taxes and minority interests	(31,732)	(4,071)	(46,987)	(9,299)
Benefit from (provision for) income taxes	1,260	(109)	938	(109)
Minority interests	(5)	(165)	(81)	(409)
NET LOSS	<u>\$ (30,477)</u>	<u>(4,345)</u>	<u>(46,130)</u>	<u>(9,817)</u>

PERKINS & MARIE CALLENDER'S INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par and share amounts)

	October 5, 2008 (Unaudited)	December 30, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,232	19,032
Restricted cash	7,594	10,098
Receivables, less allowances for doubtful accounts of \$800 and \$1,542 in 2008 and 2007, respectively	19,479	17,221
Inventories	15,676	13,239
Prepaid expenses and other current assets	6,007	5,732
Total current assets	<u>51,988</u>	<u>65,322</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization of \$121,990 and \$109,441 in 2008 and 2007, respectively	96,594	99,311
INVESTMENT IN UNCONSOLIDATED PARTNERSHIP	36	53
GOODWILL	9,836	30,038
INTANGIBLE ASSETS, net of accumulated amortization of \$19,393 and \$17,494 in 2008 and 2007, respectively	151,417	153,316
DEFERRED INCOME TAXES	535	242
OTHER ASSETS	19,283	14,660
TOTAL ASSETS	<u>\$ 329,689</u>	<u>362,942</u>
LIABILITIES AND STOCKHOLDER'S INVESTMENT		
CURRENT LIABILITIES:		
Accounts payable	\$ 24,065	25,559
Accrued expenses	37,678	52,621
Accrued income taxes	80	-
Franchise advertising contributions	5,675	5,940
Current maturities of long-term debt and capital lease obligations	379	9,464
Total current liabilities	<u>67,877</u>	<u>93,584</u>
CAPITAL LEASE OBLIGATIONS, less current maturities	13,801	11,987
LONG-TERM DEBT, less current maturities	321,601	298,009
DEFERRED RENT	14,921	13,467
OTHER LIABILITIES	15,247	15,520
MINORITY INTERESTS IN CONSOLIDATED PARTNERSHIPS	156	333
STOCKHOLDER'S INVESTMENT:		
Common stock, \$.01 par value; 100,000 shares authorized; 10,820 issued and outstanding	1	1
Additional paid-in capital	150,146	137,923
Accumulated other comprehensive income	37	86
Accumulated deficit	(254,098)	(207,968)
Total stockholder's investment	<u>(103,914)</u>	<u>(69,958)</u>
TOTAL LIABILITIES AND STOCKHOLDER'S INVESTMENT	<u>\$ 329,689</u>	<u>362,942</u>

PERKINS & MARIE CALLENDER'S INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousand)

	<u>Year-to-Date Ended October 5, 2008</u>	<u>Year-to-Date Ended October 7, 2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (46,130)	(9,817)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	19,111	18,941
Asset impairment costs	987	638
Amortization of debt discount	291	248
Other non-cash income and expense items	(134)	629
Gain on disposition of assets	(373)	(157)
Goodwill impairment	20,202	-
Loss on extinguishment of debt	2,952	-
Minority interests	81	409
Equity in net loss of unconsolidated partnership	17	90
Net changes in operating assets and liabilities	(16,043)	(12,364)
Total adjustments	<u>27,091</u>	<u>8,434</u>
Net cash used in operating activities	<u>(19,039)</u>	<u>(1,383)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(15,596)	(22,554)
Proceeds from sale of assets	515	3
Net cash used in investing activities	<u>(15,081)</u>	<u>(22,551)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayment of) terminated revolver, net	(20,000)	15,300
Proceeds from New Revolver	8,604	-
Proceeds from Secured Notes, net of \$7,537 discount	124,463	-
Repayment of Term Loan	(98,750)	(750)
Repayment of capital lease obligations	(330)	(549)
Proceeds from (repayment of) other debt	(15)	1,925
Debt financing costs	(9,903)	-
Lessor financing of new restaurants	2,286	2,915
Distributions to minority partners	(258)	(228)
Contributions from parent and affiliates	12,500	1,792
Repurchase of equity ownership units in P&MC Holding LLC	(277)	-
Net cash provided by financing activities	<u>18,320</u>	<u>20,405</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,800)	(3,529)
CASH AND CASH EQUIVALENTS:		
Balance, beginning of period	<u>19,032</u>	<u>9,069</u>
Balance, end of period	<u><u>\$ 3,232</u></u>	<u><u>5,540</u></u>