

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 Year Ended December 28, 2008

Memphis, TN, March 31, 2009 – Perkins & Marie Callender's Inc. (together with its consolidated subsidiaries, the "Company" or "we") is reporting today the financial results for its year ended December 28, 2008.

Highlights for 2008:

- Total revenues were down 1.0% to \$582.0 million in 2008, primarily due to decreases in comparable sales at Perkins and Marie Callender's restaurants, which were driven by decreases in comparable guest counts.
- Two Perkins Company-operated restaurants, two Perkins franchised restaurants and one Marie Callender's franchised restaurant were opened during 2008; one Marie Callender's Company-operated restaurant, eight Perkins franchised restaurants and three Marie Callender's franchised restaurants were closed during 2008.
- Perkins restaurants' comparable sales decreased by 2.8% and Marie Callender's restaurants' comparable sales decreased by 6.5% in 2008 as compared to 2007. These declines in comparable sales resulted primarily from a decrease in comparable guest counts at both concepts due to very difficult economic conditions.
- We refinanced our existing term loan and revolver with \$132.0 million of secured notes and a new \$26.0 million revolver. The debt agreements governing the secured notes and the new revolver contain less restrictive financial maintenance covenants than the provisions in the prior debt instruments. In connection with the refinancing, the Company received \$12.5 million in equity contributions from its parent and affiliates.

J. Trungale, President and Chief Executive Officer of Perkins & Marie Callender's Inc., commented, "The difficult economic challenges that impacted the entire restaurant industry in 2008 also affected our restaurant brands. During 2008, our restaurants focused on improving food and labor management systems and maintaining their high food quality and service standards. During 2009, we will continue to emphasize our excellent breakfast products and other value-priced entrees at both our Perkins and Marie Callender's restaurants. For 2009, our management team at Foxtail is in place and focused on product quality and manufacturing efficiency. Even though commodity and energy costs have generally moderated, we believe that the economic climate in 2009 will continue to present challenges. We are focused on reducing discretionary spending while still delivering great dining experiences to our guests and believe that we are well positioned for the future."

2008 Financial Results

Revenues in 2008 decreased 1.0% to \$582.0 million from \$587.9 million in 2007. The decrease resulted from a \$7.6 million decrease in sales in the restaurant segment and a \$1.8 million decrease in sales in the franchise segment, partially offset by a \$3.1 million increase in sales in the Foxtail segment and a \$0.4 million increase in licensing and other revenues in the other segment.

Food cost for 2008 increased to 29.2% of food sales from 28.5% in 2007. Restaurant segment food cost was down by 0.2% to 26.9% of food sales in 2008. In the Foxtail segment, food cost increased to 65.9% of food sales in 2008 from 60.9% in 2007, due primarily to higher dairy and flour prices.

Labor and benefits costs, as a percentage of total revenues, increased by 0.2% to 32.4% in 2008 compared to 2007. In 2008, restaurant segment labor and benefits increased by 0.2%, as a percentage of revenues, due primarily to higher restaurant manager compensation. An increase in contract production labor and higher administrative and maintenance compensation contributed to a 0.4% increase in the Foxtail segment.

Operating expenses for 2008 were \$152.3 million, or 26.2% of total revenues, compared to \$149.4 million, or 25.4% of total revenues in 2007. Restaurant segment operating expenses increased by 0.7% to 28.3% of restaurant sales in 2008 due primarily to the decline in revenues and increases in utilities costs and marketing expenses, partially offset by lower pre-opening expenses for new stores. Operating expenses in the Foxtail segment increased by \$1.2 million or 1.3% to 11.0% of segment food sales due primarily to higher custodial service costs.

General and administrative expenses were 8.2% of total revenues, an increase of 0.6% from 2007. The increase is due primarily to higher marketing costs at Foxtail and increased consulting costs to design and implement improved operating and accounting systems at Foxtail.

Depreciation and amortization was 4.2% of revenues in both 2008 and 2007.

Interest, net was 6.3% of revenues in 2008, compared to 5.3% in 2007. The 1.0% increase resulted mainly from an increase in the average effective interest rate on the Company's debt to 11.6% during 2008 from 9.2% during 2007 and from an approximate \$13.7 million increase in the average debt outstanding during 2008 compared to 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 due to the write-off of previously deferred financing costs related to the terminated credit agreement.

During the third quarter of 2008, we recorded a non-cash goodwill impairment charge of \$20.2 million, comprised of \$18.5 million related to our franchise segment and \$1.7 million related to our Foxtail segment. At year end, we completed our annual impairment test of goodwill and nonamortizing intangibles and determined that no additional impairment charge was required. No such charges were recognized during 2007.

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, gain or loss on extinguishments 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 accounting principles generally accepted in the U.S. 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:

(in thousands)	Year Ended December 28, 2008	Year Ended December 30, 2007	Year Ended December 31, 2006
Net loss	\$ (52,953)	(16,335)	(9,372)
Provision for (benefit from) income taxes	(1,769)	1,482	155
Interest, net	36,689	31,180	36,197
Depreciation and amortization	24,699	24,822	25,641
Transaction costs	-	1,013	5,674
Asset impairments and closed store expenses	1,797	2,463	3,089
Goodwill impairment	20,202	-	-
Loss (gain) on extinguishments of debt	2,952	-	(12,642)
Pre-opening expenses	341	1,992	688
Management fees	3,676	3,576	3,592
Other items	-	351	2,346
Adjusted EBITDA	\$ 35,634	50,544	55,368

Note: Fiscal year 2006 contains fifty-three weeks of operations compared to fifty-two weeks of operations in fiscal years 2007 and 2008.

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 December 28, 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 Tuesday, April 7, 2009, at 10:00 a.m. (CDT) to review 2008 earnings. The dial-in number for the conference call is (866) 207-2203 and the access code number is 84343257. A taped playback of this call will be available two hours following the call on Tuesday, April 7, 2009, through midnight (CDT) on Monday, April 13, 2009. The taped playback can be accessed by dialing (800) 642-1687 and by using access code number 84343257.

Forward-Looking Statements

This press release contains 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. These statements, written, oral or otherwise made, 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.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe 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 our control. These and other important factors may cause our actual results, performance or achievements to differ materially

from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors affecting these forward-looking statements include, among others, 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; and
- our development and expansion plans.

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. We do not undertake and specifically decline 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
(In thousands)

	Year Ended December 28, 2008	Year Ended December 30, 2007	Year Ended December 31, 2006
REVENUES:			
Food sales	\$ 552,462	556,990	562,742
Franchise and other revenue	29,508	30,896	31,448
Total revenues	<u>581,970</u>	<u>587,886</u>	<u>594,190</u>
COSTS AND EXPENSES:			
Cost of sales (excluding depreciation shown below):			
Food cost	161,103	158,708	159,751
Labor and benefits	188,431	189,307	185,405
Operating expenses	152,260	149,437	150,102
General and administrative	47,829	44,874	48,188
Transaction costs	-	1,013	5,674
Depreciation and amortization	24,699	24,822	25,641
Interest, net	36,689	31,180	36,197
Asset impairments and closed store expenses	1,797	2,463	3,089
Goodwill impairment	20,202	-	-
Loss (gain) on extinguishments of debt	2,952	-	(12,642)
Other, net	446	228	1,509
Total costs and expenses	<u>636,408</u>	<u>602,032</u>	<u>602,914</u>
Loss before income taxes and minority interests	(54,438)	(14,146)	(8,724)
Benefit from (provision for) income taxes	1,769	(1,482)	(155)
Minority interest expense	<u>(284)</u>	<u>(707)</u>	<u>(493)</u>
NET LOSS	<u><u>\$ (52,953)</u></u>	<u><u>(16,335)</u></u>	<u><u>(9,372)</u></u>

Note: Fiscal year 2006 contains fifty-three weeks of operations compared to
fifty-two weeks of operations in fiscal years 2007 and 2008.

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

	December 28, 2008	December 30, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,613	19,032
Restricted cash	10,140	10,098
Receivables, less allowances for doubtful accounts of \$954 and \$1,542 in 2008 and 2007, respectively	21,386	17,221
Inventories	12,300	13,239
Prepaid expenses and other current assets	2,996	5,732
Total current assets	51,435	65,322
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization of \$125,951 and \$109,441 in 2008 and 2007, respectively	93,500	99,311
INVESTMENT IN UNCONSOLIDATED PARTNERSHIP	48	53
GOODWILL	9,836	30,038
INTANGIBLE ASSETS, net of accumulated amortization of \$19,963 and \$17,494 in 2008 and 2007, respectively	150,847	153,316
DEFERRED INCOME TAXES	-	242
OTHER ASSETS	17,842	14,660
TOTAL ASSETS	\$ 323,508	362,942
LIABILITIES AND STOCKHOLDER'S INVESTMENT		
CURRENT LIABILITIES:		
Accounts payable	\$ 18,295	25,559
Accrued expenses	47,040	52,621
Franchise advertising contributions	5,316	5,940
Current maturities of long-term debt and capital lease obligations	382	9,464
Total current liabilities	71,033	93,584
LONG-TERM DEBT, less current maturities	316,534	298,009
CAPITAL LEASE OBLIGATIONS, less current maturities	13,715	11,987
DEFERRED RENT	15,343	13,467
OTHER LIABILITIES	17,741	15,520
MINORITY INTERESTS IN CONSOLIDATED PARTNERSHIPS	215	333
STOCKHOLDER'S INVESTMENT:		
Common stock, \$.01 par value; 100,000 shares authorized; 10,820 issued and outstanding	1	1
Additional paid-in capital	149,851	137,923
Accumulated other comprehensive income	(4)	86
Accumulated deficit	(260,921)	(207,968)
Total stockholder's investment	(111,073)	(69,958)
TOTAL LIABILITIES AND STOCKHOLDER'S INVESTMENT	\$ 323,508	362,942

PERKINS & MARIE CALLENDER'S INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 28, 2008	Year Ended December 30, 2007	Year Ended December 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (52,953)	(16,335)	(9,372)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	24,699	24,822	25,641
Asset impairments	1,797	2,463	2,723
Goodwill impairment	20,202	-	-
Amortization of debt discount	647	324	321
Loss (gain) on extinguishment of debt	2,952	-	(12,642)
Minority interests expense	284	707	493
Equity in net loss of unconsolidated partnership	5	82	73
Other non-cash income and expense items	(12)	333	6,690
Net changes in operating assets and liabilities	(7,110)	3,083	1,306
Total adjustments	43,464	31,814	24,605
Net cash (used in) provided by operating activities	(9,489)	15,479	15,233
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(18,336)	(31,547)	(19,562)
Proceeds from sale of assets	687	21	1,549
Net cash used in investing activities	(17,649)	(31,526)	(18,013)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from terminated revolver	53,000	75,100	12,900
Repayment of terminated revolver	(73,000)	(55,100)	(12,900)
Proceeds from New Revolver	31,848	-	-
Repayment of New Revolver	(28,664)	-	-
Proceeds from Secured Notes, net of \$7,537 discount	124,463	-	-
Proceeds from (repayment of) Term Loan	(98,750)	(750)	99,500
Repayment of capital lease obligations	(413)	(702)	(895)
Proceeds from (repayment of) other debt	(18)	82	(100,026)
Debt financing costs	(9,559)	-	(2,720)
Lessor financing of new restaurants	2,286	6,107	-
Distributions to minority partners	(402)	(519)	(543)
Capital contributions	12,500	1,792	12,545
Repurchase of equity ownership units in P&MC's Holding LLC	(572)	-	-
Net cash provided by financing activities	12,719	26,010	7,861
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,419)	9,963	5,081
CASH AND CASH EQUIVALENTS:			
Balance, beginning of period	19,032	9,069	3,988
Balance, end of period	\$ 4,613	19,032	9,069

(In thousands)

Note: Fiscal year 2006 contains fifty-three weeks of operations compared to fifty-two weeks of operations in fiscal years 2007 and 2008.