

# think *fresh*

We believe that good is relative to today only.  
Tomorrow we must earn it all over again.



APPLEBEE'S INTERNATIONAL, INC.  
2005 Annual Report & Form 10-K

## Selected Financial Data

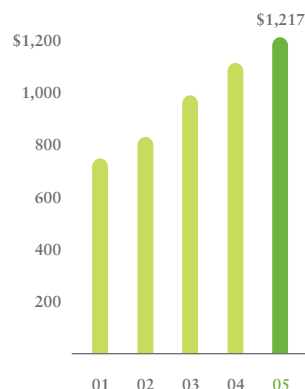
The following table sets forth for the periods and the dates indicated our selected financial data. All periods presented contained 52 weeks. The following should be read in conjunction with the Consolidated Financial Statements and Notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” presented in our Form 10-K.

*in thousands, except per share amounts*

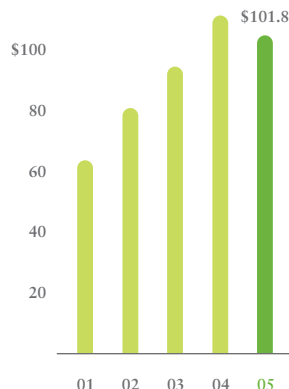
	Fiscal Year Ended				
	Dec. 25, 2005	Dec. 26, 2004	Dec. 28, 2003	Dec. 29, 2002	Dec. 30, 2001 <sup>(1)</sup>
<b>STATEMENT OF EARNINGS DATA:</b>					
Company restaurant sales	\$1,082,641	\$ 976,798	\$ 867,158	\$ 724,616	\$ 651,119
Franchise royalties and fees	128,813	121,221	109,604	102,180	93,225
Other franchise income	5,196	13,615	13,147	2,688	—
Total operating revenues	\$1,216,650	\$1,111,634	\$ 989,909	\$ 829,484	\$ 744,344
Operating earnings	\$ 157,637	\$ 165,280	\$ 152,677	\$ 126,590	\$ 110,681
Net earnings	\$ 101,802	\$ 110,865	\$ 94,349	\$ 80,527	\$ 63,298
Basic net earnings per share	\$ 1.29	\$ 1.36	\$ 1.14	\$ 0.97	\$ 0.76
Diluted net earnings per share	\$ 1.27	\$ 1.33	\$ 1.10	\$ 0.94	\$ 0.74
Dividends declared per share	\$ 0.20	\$ 0.06	\$ 0.05	\$ 0.04	\$ 0.04
Basic weighted average shares outstanding	78,650	81,528	82,944	83,407	83,268
Diluted weighted average shares outstanding	80,010	83,600	85,409	85,382	85,316
<b>BALANCE SHEET DATA (AT END OF FISCAL YEAR):</b>					
Total assets	\$ 878,588	\$ 754,431	\$ 651,078	\$ 573,647	\$ 506,036
Long-term debt, including current portion, and notes payable	\$ 188,367	\$ 35,694	\$ 20,862	\$ 52,563	\$ 74,568
Stockholders’ equity	\$ 412,610	\$ 496,727	\$ 453,143	\$ 385,201	\$ 320,303

<sup>(1)</sup> Beginning in 2002, we ceased amortization of goodwill in accordance with Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangibles.”

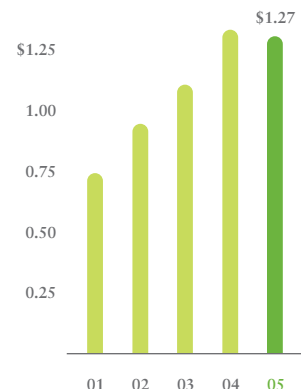
**Total Operating Revenues**  
(in millions)



**Net Earnings**  
(in millions)



**Diluted Net Earnings per Share**



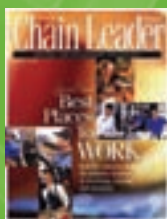
# think *achievements*

Applebee's accomplishments, both as an organization and as individuals, continue to earn widespread recognition.

## *best places* to work

### Chain Leader Magazine

Recognized for our industry-leading manager retention program, Applebee's was featured in the "Best Places to Work" special issue of Chain Leader magazine (April 15, 2005 issue).



## chef innovator

### Nation's Restaurant News

Kurt Hankins, senior vice president of menu development and innovation, received the "2005 Chef/Innovator MenuMasters Award" from Nation's Restaurant News (May 2005).



## *best* investor relations

### Institutional Investor Magazine

Institutional Investor magazine, in a survey of buy-side analysts and portfolio managers, ranked the company's investor relations "First Team" in the restaurant industry in January 2005 and "Second Team" in March 2006. In its survey of sell-side analysts, the magazine ranked Applebee's investor relations "First Team" in the restaurant industry in March 2006 and "Second Team" in January 2005.

### IR Magazine

For the second year in a row, Applebee's was recognized by IR Magazine, in association with Barron's, for the best overall investor relations for a small cap company. The magazine and Barron's also named Carol DiRaimo, vice president of investor relations, as the best investor relations officer for a small cap company (March 2005).



## operator of the year

### Nation's Restaurant News

Applebee's Chairman and CEO Lloyd Hill was named Operator of the Year by restaurant operators and readers of Nation's Restaurant News, recognizing both recent accomplishments and career achievements (October 3, 2005 issue).



## *best big* companies

### Forbes Magazine

On Forbes magazine's Platinum 400 List of America's Best Big Companies, Applebee's was ranked No. 8 in the "Hotels, Restaurants and Leisure" industry category (January 9, 2006 issue).



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## *most shareholder* friendly

### Institutional Investor Magazine

Applebee's was named the most shareholder-friendly restaurant company in the country by Institutional Investor magazine (February 2006 issue).





Lloyd L. Hill  
Chairman of the Board and  
Chief Executive Officer

## Dear Fellow Shareholders

Perhaps the best thing we can say about fiscal 2005 is that it's over. Hampered by a variety of external factors and internal challenges, we failed to reach our financial goals or to deliver on our commitments. That is unacceptable to us and we stand accountable.

While we have no control over the price of gasoline at the pump or economic conditions across the country, we are focusing on and improving what we can control — our food and our advertising, our facilities and our execution — by continuing to think fresh. Already, we are seeing renewed energy and a sense of urgency throughout our entire organization as the Applebee's team responds to this challenge.

### 2005 Financial Performance

For the fiscal year ended December 25, 2005, total system-wide sales for the Applebee's brand, which includes both company and franchise restaurants, climbed 8.2 percent over the prior year. Total company restaurant sales for the year grew 10.8 percent to \$1.1 billion, with total operating revenues increasing 9.4 percent to \$1.2 billion.

Net earnings for fiscal 2005 were \$101.8 million, or \$1.27 per diluted share, including an impairment charge of approximately \$0.03 per share recorded in

the third quarter. While this disappointing result is the first time in the company's history that earnings failed to exceed the prior year, our compounded annual growth rate in earnings per share exceeds 12 percent over the past five years.

Through 2005 year-end, Applebee's has achieved system-wide comparable sales growth for 30 consecutive quarters — a remarkable seven and a half years. Comparing restaurants open for at least 18 months, system-wide comparable sales for 2005 increased 1.8 percent, with franchise restaurant comparable sales growing 2.7 percent for the year and company comparable sales declining 0.9 percent — a gap driven both by the timing of sales initiatives and the concentration of company restaurants in the Midwest and Northeast, which have experienced economic weakness.

Based on our confidence in the strength of the company's long-term growth model, in October 2005 our Board of Directors approved substantial increases in both our annual dividend and stock repurchase authorization.

## “As we look to the future, there are a great many indicators of Applebee’s continued progress and promise.”

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The 2005 annual dividend of 20 cents per share represented a 233 percent increase over the prior year dividend of 6 cents per share and the 16th consecutive annual dividend paid by the company.

In October 2005, our Board of Directors approved an additional \$175 million to repurchase our common stock, subject to market conditions. During fiscal 2005, the company repurchased nearly 8.3 million shares of common stock at an average price of \$23.66 for an aggregate cost of \$196.1 million. At year-end, \$129.0 million remained available under the 2005 stock repurchase authorization.

### Delivering on Our Commitment

In Applebee’s 1997 annual report — my first as sole CEO — we outlined our basic business objectives to fortify our dominant brand strength and extend our leadership in casual dining. As I prepare to move into a new role as non-executive chairman, I am pleased to review the progress we have made since then.

From the end of 1997 through 2005, our total return to shareholders has been over 340 percent.

We have achieved impressive headway in our objective to expand the Applebee’s concept — adding more than 100 new restaurants for 13 consecutive years.

Our objective to build our base of company restaurants by acquiring sound franchise operations continues — over the last 13 years, we have purchased 134 franchise units and grown our total from 31 to 486 company restaurants.

We sought to strengthen our leadership in casual dining by continuously enhancing our concept — today, as a result, Applebee’s offers broad menu offerings, attractive facilities and modern convenience, while retaining our original neighborhood appeal.

Another of our objectives was to extend our lead over the competition in number of units — and we have continued to reinforce our dominant position as the nation’s largest single concept in casual dining, ending the year with 1,804 restaurants worldwide and a lead of nearly 800 units over our nearest competitor.

### Determining Our Future

As we look to the future, there are a great many indicators of Applebee’s continued progress and promise.

Our proven franchise model continues as the foundation of our success and the driver of our steady growth. At year-end, we had 47 domestic franchise groups operating 1,246 restaurants, or nearly three-fourths of our total system. Collectively and individually, our franchise system continues to grow — led by seasoned operators like Steve Grove (AppleGrove) and Greg Flynn (Apple American), who last year opened their 100th and 120th restaurants, respectively.

With 14 new restaurant openings, 2005 was the most successful year ever for the international division of Applebee’s — with 72 units operating in 14 countries at year-end and a worldwide potential of at least 1,000 restaurants eventually.



### Senior Management Team

(from left) Phil Crimmins, Stan Sword, Steve Lumpkin, Carin Stutz, Lloyd Hill, Dave Goebel, John Cywinski and Mike Czinege.

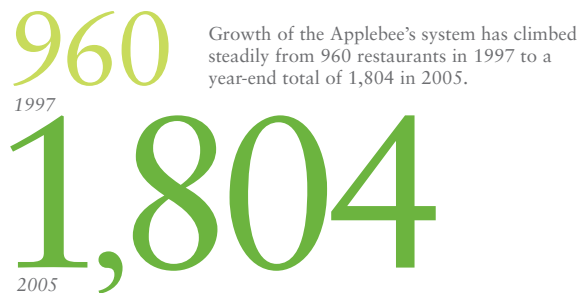
“We have noticeably better people at all levels working tirelessly and thinking fresh to move Applebee’s closer to becoming one of America’s great companies ... ”

We continue to enhance the strength, diversity and capabilities of our outstanding Board of Directors. In October 2005, Gina Boswell, senior vice president and chief operating officer for Avon North America, was appointed to the board. Prior to joining Avon in 2003, she gained nearly 20 years of business development, strategy and finance experience with Ford Motor Company and Estée Lauder Companies, Inc.

In December 2005, the directors increased the number of board seats from 10 to 12. Dave Goebel, president and chief operating officer, was appointed to the board in January 2006, assuming one of the new seats. The second new seat will be filled by Rogelio Rebolledo, president and chief executive officer of PBG (Pepsi Bottling Group) Mexico, who will join the board in May 2006. He previously served as president and chief executive officer of Frito-Lay International, where he led the company’s expansion throughout Latin America, Asia and Australia, retiring at the end of 2003 after 28 years of service.

In early 2006, we announced plans to implement the company’s leadership succession plan. In conjunction with this plan, the positions of chairman and chief executive officer will be separated effective this summer and I anticipate recommending to the board that Dave Goebel become the next chief executive officer. In preparation for the transition, Dave has assumed additional executive responsibilities, with the senior finance, marketing, human resources, operations, development and information officers reporting to him. Steve Lumpkin, our chief financial officer, is

increasingly focused on the company’s long-term strategic goals including acceleration of our international development and operations.



We have exceptional management depth and anticipate a smooth transition marked by continuity within our leadership team and the continuation of our mission-focused, values-driven culture.

### In Conclusion

Our concept and our culture are thriving. We have noticeably better people at all levels working tirelessly and thinking fresh to move Applebee’s closer to becoming one of America’s great companies and one of the world’s strongest brands.

I have truly enjoyed this journey ... and I thank all those who made it so enriching, but none more so than the men and women in our restaurants, working every day, to serve every guest, to deserve the title of America’s Favorite Neighbor®. I look forward to continuing to serve you, our shareholders, well into the future.

LLOYD L. HILL

Chairman of the Board and Chief Executive Officer

March 2006



## think *quality*

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Think Best Menu Taste and Quality. Every day, we will put all our energy and enthusiasm into bringing our guests clearly differentiating menu items ... including the best bar-and-grill favorites together with signature dishes, presented to showcase freshness and quality.





# think ***bold*** flavors



Quesadilla Burger



Parmesan-Crusted Shrimp Penne

Last year, we completed our 2005 segmentation study, the most comprehensive guest research we have ever conducted. This detailed examination of

casual dining guests and their habits, both ours and our competitors, gathered feedback from 20,000 consumers covering 48,000 restaurant visits. We now have more insight and understanding of our guests than ever before — information that is helping refine our strategies, guiding our decision-making and giving us clear direction going forward.

According to the guests surveyed in our study, we win over the competition in terms of “value,” “pricing,” “convenience,” “a place where I feel comfortable” and “something for everybody.” At the same time, study results revealed a clear need to improve our food, in both quality and taste.

## Refreshing Our Menu

Casual dining guests are becoming more sophisticated and their expectations continue to rise ... and they increasingly want bolder tasting, more interesting foods. To address this need, we expanded our Menu Development and Innovation team during the year, adding additional resources and creativity. And, we will continue to evolve and refresh our menu with the goal of serving the best bar-and-grill favorites and exciting signature dishes.

At mid-year, we launched a new integrated menu that combines our main menu together with promotional inserts in a single piece.



Crispy Bread Pudding



The streamlined, easier-to-use menus have received an enthusiastic reception from our guests and, going forward, will give us added flexibility to make more frequent menu changes beyond our traditional twice-a-year approach.

As we move into 2006, we are stepping up our food development pace — unleashing the creative power of our culinary team and shortening the development cycle for testing and introducing new menu items. As a result, we are now changing menus six or seven times a year, compared to our traditional twice-yearly approach. At the same time, we are enhancing our focus on the quality of our food offerings, adding higher-priced, higher-quality menu items to complement our more value-oriented offerings. The results of this re-energized effort will be evident as early as our April 2006 menu launch, and will continue into 2007.

The April 2006 menu will introduce a variety of both core and optional menu items such as Pecan-Crusted Chicken Salad, Quesadilla Burger, Grilled Shrimp 'N Spinach Salad, Fire-Roasted Shrimp Skillet, Three-Cheese Chicken Penne, Weight Watchers® Southwest Cobb Salad and Cajun Lime Tilapia, Dreamsicle Cake and Raspberry Cheesecake Rapture.



Grilled Shrimp 'N Spinach Salad



Raspberry Cheesecake Rapture

A strong point of differentiation for Applebee's has traditionally been our promotional campaigns focused on abundance and value. While continuing to use campaigns as a "call to action,"

going forward our strategy is to use promotions as a springboard for new food items that will immediately be added to our core menu, driving continuous menu innovation.

While maintaining our variety and value leadership, our goal is to leverage taste and quality with a balance of new menu offerings and guest favorites and improve our existing items to be "best-in-class."



Roasted Garlic & Asiago Chicken





## think *innovation*

Think Flair and Style. We will bring an unparalleled level of creativity to every area of our operations ... from our concept and menu, advertising and promotions to our internal management systems and people practices.

Menu Development and Innovation Team: *Clockwise from lower right* Kurt Hankins, Shannon Johnson, Mel Carey-Wilson, Mark Fuller, Kristie Sigler, Jason Amell, Randy Webb, Greg Schweizer





Weight Watchers® Southwest Cobb Salad

think  
*healthy*  
choices

Industry research, as well as our own segmentation study, underscored a heightened consumer focus on health and nutrition, with nearly three-fourths of adults saying they are trying to eat more healthfully in restaurants than they did two years ago.

### Weight Watchers®

Addressing this trend, we formed an exclusive relationship in 2004 with Weight Watchers International, Inc., universally recognized as the premier brand in weight-loss management with over 13 million members. Offering guests more healthful alternatives, our Weight Watchers® menu features a selection of 10 appetizers, entrees and desserts, and lists calories, fat and fiber grams together with Weight Watchers POINTS® values.

Despite the success of this alliance, we continue to believe that our relationship with Weight Watchers is an under-leveraged asset. In 2006, we plan to significantly increase our marketing investment behind this important and differentiated initiative, using television advertising as well as other media such as online exposure on websites devoted to women's health and lifestyles.



Weight Watchers®  
Teriyaki Shrimp Skewers



Weight Watchers® Confetti Chicken



# think refreshing drinks

Alcoholic and non-alcoholic beverage sales currently account for approximately 20 percent of our sales, representing an opportunity for significant growth. In early 2006, we launched our Beverage Optimization initiative, designed to increase beverage sales in our restaurants and, at the same time, reduce overall beverage costs. This program aims to invigorate our beverage category by re-engineering product, service, training, point-of-sale and operational improvements.

While featuring our thirst-quenching assortment of martinis, margaritas and specialty drinks, as well as domestic, imported and craft beers, our new drink menu also highlights a line-up of non-alcoholic smoothies, adrenaline slushes, shakes and soft drinks.

We are also building off-hours traffic and driving beverage sales with a Late Night program in certain markets.



Red Apple Sangria



Main Street 'Rita™



Strawberry Coco Frost Smoothie



The desire for speed and convenience—from carryout and curbside to drive-through and delivery—continues to escalate, with over one-third of adults saying that purchasing takeout food is essential to the way they live. Industry-wide, one out of three consumers have used curbside takeout at a tableservice restaurant. Two specific off-premise initiatives—Carside To Go™ and Applebee's Anywhere™—are specifically designed to address this convenience trend and extend our traditional dining room dominance into new areas beyond the restaurant walls.



Oriental Chicken Salad

## Carside To Go

Carside To Go, the company's popular curbside takeout service, continues to grow and now accounts for a record 10 percent of sales at company restaurants.

Since launched in 2003, Carside To Go has quickly become the fastest growing part of our business, with ample room for growth—research confirms that nearly 70 percent of our dining room guests have yet to try

Carside To Go. At year-end, nearly all domestic restaurants were offering this convenient, easy-to-use service.

After their first experience, our guests understand “it's not fast food—it's Applebee's food, fast.®” With Carside To Go, guests phone ahead with their orders, drive to the restaurant and pull into reserved parking spots, and have their food delivered right to their cars by a dedicated

Carside To Go specialist.

To enhance the overall convenience of Carside To Go, we continue the implementation of a wireless credit card settlement device. Using this handheld electronic device, credit card transactions can be handled quickly right at the vehicle. By year-end, the device was in use in about 80 percent of company restaurants and 30 percent of franchise units.

## Applebee's Anywhere

Applebee's Anywhere, our new off-premise initiative, was launched in 2005 and is designed to make personal and business meals less stressful and better tasting when larger groups are involved, with larger portions of selected items for five or more people.

think  
*speed*  
& convenience



## think *service*

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Think Noticeably Better People. We will bring fresh thinking to how we recruit, reward and retain exceptional associates ... nurturing a culture intently focused on continually delivering passionate service and constantly exceeding our guests' expectations.





# think *great* experience

At Applebee's, we continually challenge our restaurant teams to amaze guests with their passion and enthusiasm for delivering a flawless dining experience.

## Customer Satisfaction

We use a variety of tools and techniques to measure how well we deliver on our service excellence promise, including our Customer Service Index (CSI)

that last year gathered feedback from over 900,000 dine-in and Carside To Go guests.

Our system-wide score for overall satisfaction among dine-in guests exceeded 50 percent for the full year. This score means that on a scale of 1 to 7,

more than half of all guests evaluated their visit with the top score of 7 or "extremely satisfied." Guests' overall satisfaction with Carside To Go continues to be strong with nearly 60 percent of our guests rating their experience as a 7 last year.

## Kitchen Display System

We continue to achieve measurable gains in reducing table turn times in our dining rooms utilizing our advanced Kitchen Display System (KDS) kitchen management tool. The number of KDS tickets under 10 minutes increased to 68 percent in 2005, up from 63 percent the year before, and table turn times are the best ever.



Hand-Battered Fish & Chips



Kitchen Display System (KDS)



## Noticeably Better People

We continue to develop innovative ways to kindle and fuel the passion for service among our restaurant associates. We have programs in place which are designed to attract and retain noticeably better people who are fully engaged and committed to flawless execution.

We continue to make significant progress in our efforts to retain our best performers. Last year, we successfully reduced hourly turnover to a record 83 percent, down significantly from 146 percent in 2000 and far better than the industry average of 102 percent. Turnover among all our salaried restaurant managers continued low at 22 percent last year, down from 31 percent in 2000, with general manager turnover of just 12 percent.

# think *regional* solutions



Applebee's opened in former historic Bookbinders Seafood House in Philadelphia.

To tap the potential of varied market sizes and characteristics, we have developed a portfolio of Applebee's restaurants targeted to small, medium, large and mega markets.

At year-end, there were 227 units operating in small markets (less than 135,000 households), 336 restaurants in medium markets (135,000 to 399,000 households), 638 units in large markets (400,000 to 1,399,000 households) and 375 restaurants in mega markets (over 1.4 million). In addition, we continue to successfully penetrate so-called STAR (small town Applebee's restaurant) markets with fewer than 50,000 people, typically as the only chain casual dining restaurant in town, with 156 restaurants open at year-end.

In addition to restaurant size and layout, we meet varied regional needs with selected menu items specifically tailored to regional tastes and preferences. For instance, in the New England market we

have added regional favorites such as Baked Haddock, Hand-Battered Fish & Chips, New England Clam Chowder and Grilled Steak Tips.

## Advertising Muscle

Applebee's boasts the largest advertising budget in the casual dining segment and we use this media muscle to build increased awareness and to drive sales.

Drawing on the results of our segmentation study, we are evolving our advertising message with a high level of engagement and broad demographic appeal.



Grilled Steak Tips

Our new advertising, designed to break away from competitors and break through the clutter, will convey multiple messages to our guests—including branded campaign events, Carside To Go, our partnership with Weight Watchers and neighborhood branding messages.

Our newest campaign, launched in February 2006 in conjunction with our "Shrimp Sensations" promotion, is an evolution of our popular commercials featuring fun and parody lyrics, and introduces two recurring characters simply known as "The Applebee's Guys" who will appear in future ads for each promotion.

## New Development

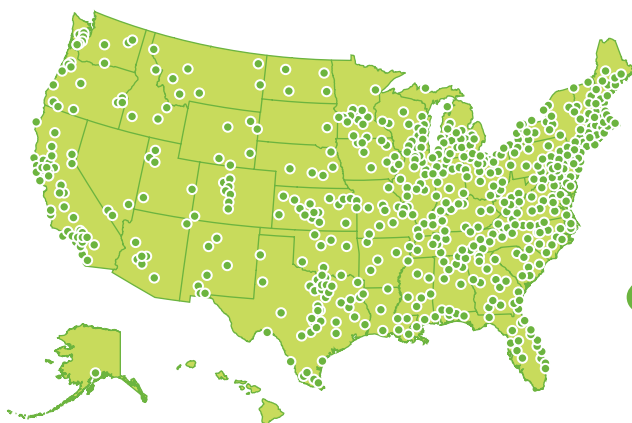
In fiscal 2005, Applebee's opened a total of 144 new restaurants system-wide, marking the 13th consecutive year the system has opened 100 or more restaurants and the most openings in eight years. This total



The Applebee's Guys







At year-end, there were a total of 1,732 restaurants operating throughout the United States.

# think growth

three-fourths of the Applebee's system. Our average franchisee operates 27 restaurants; our largest boasts 120 restaurants. Currently, over 90 percent of franchise units are operated by only 30 franchisees.

Our year-end domestic unit count of 1,732 exceeded our nearest competitors by a wide margin. We continue to believe the ultimate potential of the Applebee's system is at least 3,000 domestic locations.

included a record 52 company restaurant openings, together with 92 franchise units. At year-end, there were a total of 1,804 restaurants operating throughout the worldwide system.

New unit development continues as the largest driver of our growth. We anticipate opening approximately 120 new units in 2006, representing growth of 6-7 percent.

Applebee's growth strategy in past years has included using our strong balance sheet and substantial free cash flow to opportunistically acquire franchise restaurants.

In May 2005, we completed the acquisition of 12 franchise restaurants in Missouri, Kansas and Arkansas for approximately \$39.5 million in cash. The addition of these units provides geographic and operational synergy to the company's existing base of restaurants in the Kansas City and St. Louis markets. We believe the territory where these units are located could ultimately support a total of more than 20 Applebee's restaurants.

Applebee's Chihuahua, Mexico



Pecan-Crusted Chicken Salad

## Global Expansion

Beyond our domestic potential, we believe the international potential for the Applebee's concept is at least 1,000 restaurants worldwide. International operations, with the highest growth rate of our businesses, enjoyed the most successful year ever in 2005.

At year-end, 72 Applebee's restaurants were open and operating in 14 international countries including 25 in Mexico, 21 in Canada, 17 in the Mediterranean/Middle East and nine in Central/South America.

We continue to pursue a long-term strategy of controlled international expansion, seeking qualified franchisees who have the resources to open multiple restaurants in each territory and who are familiar with the specific local business environment.

In January 2006, we completed the purchase of four franchise restaurants in the Houston market for approximately \$8.2 million in cash. Previously, this had been a shared market with a mix of company and franchise units.

At year-end, 47 domestic franchise groups were operating a total of 1,246 restaurants or roughly

## Thinking Fresh

Bringing innovative, creative thinking to our food and facilities, to our concept and culture, to our processes and people practices, Applebee's continues to work to deserve the title of America's Favorite Neighbor.®



## Officers

**Lloyd L. Hill**  
Chairman of the Board and  
Chief Executive Officer

**David L. Goebel**  
President and Chief Operating  
Officer

**Steven K. Lumpkin**  
Executive Vice President,  
Chief Financial Officer and  
Treasurer

**John C. Cywinski**  
Executive Vice President and  
Chief Marketing Officer

**Stanley M. Sword**  
Executive Vice President and  
Chief People Officer

**Carin L. Stutz**  
Executive Vice President of  
Operations

**Rohan St. George**  
President of International  
Division

**Philip R. Crimmins**  
Senior Vice President of  
Development

**Michael Czinege**  
Senior Vice President and  
Chief Information Officer

**Miguel A. Fernandez**  
Senior Vice President of  
Company Operations

**Kurt Hankins**  
Senior Vice President of Menu  
Development and Innovation

**David R. Parsley**  
Senior Vice President of  
Supply Chain Management

**Nancy E. Culbertson**  
Vice President of National  
Marketing and Innovation

**Carol A. DiRaimo**  
Vice President of Investor  
Relations

**Beverly O. Elving**  
Vice President and Controller

**Thomas F. Finocchiario**  
Vice President of Operations  
Excellence

**Larry C. Miller**  
Vice President of Finance

**Samuel M. Rothschild**  
Vice President of Franchise  
and Beverage Operations

**Rebecca R. Tilden**  
Vice President, General  
Counsel and Secretary

**Scott W. White**  
Vice President of Human  
Resources – Design and  
Services



## Board of Directors

**Lloyd L. Hill**  
Chairman of the Board and  
Chief Executive Officer,  
Applebee's International, Inc.

**Erline Belton** <sup>2,3</sup>  
President and Founder,  
The Lyceum Group

**Gina R. Boswell** <sup>3</sup>  
Senior Vice President and  
Chief Operating Officer,  
Avon North America

**Douglas R. Conant** <sup>2</sup>  
President and Chief Executive  
Officer, Campbell Soup  
Company

**D. Patrick Curran** <sup>1</sup>  
Chairman and Chief  
Executive Officer, The Curran  
Companies

**David L. Goebel**  
President and Chief Operating  
Officer, Applebee's  
International, Inc.

**Eric L. Hansen** <sup>1,3</sup>  
Shareholder in Holman  
Hansen & Colville, P.C.,  
a Professional Association

**Jack P. Helms** <sup>1,3</sup>  
Principal and Shareholder in  
Goldsmith, Agio, Helms and  
Company

**Steven K. Lumpkin**  
Executive Vice President,  
Chief Financial Officer and  
Treasurer, Applebee's  
International, Inc.

**Burton M. Sack** <sup>2,3</sup>  
Retired former executive,  
Applebee's International, Inc.

**Michael A. Volkema** <sup>1,2</sup>  
Chairman of the Board,  
Herman Miller, Inc.

Committee Memberships:  
<sup>1</sup> Audit, <sup>2</sup> Executive Compensation,  
<sup>3</sup> Corporate Governance/Nominating

*Pictured above from left:*  
Michael A. Volkema, Erline Belton,  
D. Patrick Curran, Lloyd L. Hill,  
Eric L. Hansen, Douglas R. Conant,  
Jack P. Helms, David L. Goebel,  
Gina R. Boswell, Steven K. Lumpkin,  
Burton M. Sack

## Corporate Information

### Corporate Headquarters

4551 West 107th Street  
Overland Park, Kansas 66207  
(913) 967-4000  
Fax: (913) 341-1694

### Independent Registered Public Accounting Firm

Deloitte & Touche LLP  
1100 Walnut Street, Suite 3300  
Kansas City, Missouri 64106

### Financial Community Information

Inquiries from institutional investors, financial analysts, registered representatives, portfolio managers and individual shareholders should be directed to: Investor Relations Department at Applebee's corporate headquarters, as listed above, (913) 967-4000, Fax: (913) 341-4970. Information may also be obtained by visiting our website at [www.applebees.com](http://www.applebees.com).

### Registrar and Transfer Agent

Wells Fargo Bank, N.A.  
Shareowner Services  
161 North Concord Exchange  
South St. Paul, Minnesota 55075-1139  
Phone: (800) 468-9716

### Annual Meeting

Shareholders are cordially invited to attend the 2006 Annual Meeting of Stockholders which will be held at 10:00 a.m., CDT, on May 11, 2006, at the Sheraton Overland Park Hotel, 6100 College Boulevard, Overland Park, Kansas 66211.

Management urges all shareholders to vote their proxies and thus participate in the decisions that will be made at this meeting.

## Corporate Profile

Applebee's International, Inc., headquartered in Overland Park, Kansas, develops, franchises and operates casual dining restaurants in 49 states and 14 international countries under the Applebee's Neighborhood Grill & Bar brand.

Each Applebee's Neighborhood Grill & Bar is designed as an attractive, friendly, neighborhood establishment featuring moderately priced, high-quality food and beverage items, table service and a comfortable atmosphere that appeals to all ages.

Applebee's Neighborhood Grill & Bar is the largest casual dining concept in America, both in terms of number of restaurants and market share. At December 25, 2005, there were 1,804 Applebee's Neighborhood Grill & Bar restaurants, of which 1,318 were operated by franchisees and 486 were operated by the company.

### Dividends

The 2005 annual dividend was \$0.20 per share, paid in January 2006.

### Shareholders

There were approximately 28,200 beneficial shareholders including 1,341 shareholders of record as of December 25, 2005.

### Trademarks

The following are registered trademarks of Applebee's International, Inc.: Applebee's, Applebee's Neighborhood Grill & Bar and America's Favorite Neighbor.

Weight Watchers and POINTS are the registered trademarks of Weight Watchers International, Inc.

### Forward-Looking Statements

Certain statements contained in this annual report are forward-looking and based on current expectations. There are several risks and uncertainties that could cause actual results to differ materially from those described, including but not limited to the ability of the company and its franchisees to open and operate additional restaurants profitably, the continued growth of its franchisees and its ability to attract and retain qualified franchisees, the impact of intense competition in the casual dining segment of the restaurant industry and its ability to control restaurant operating costs which are impacted by market changes, minimum wage and other employment laws, food costs and inflation. For additional discussion of the principal factors that could cause actual results to be materially different, the reader is referred to the company's annual report on Form 10-K for the fiscal year ended December 25, 2005 filed with the Securities and Exchange Commission. The company disclaims any obligation to update these forward-looking statements.

## Common Stock Information

Our common stock trades on The Nasdaq Stock Market,<sup>®</sup> under the symbol APPB. The table below sets forth for the fiscal quarters indicated the reported high and low sale prices of our common stock, as reported on The Nasdaq Stock Market.

	2005		2004	
	High	Low	High	Low
First Quarter	\$29.19	\$24.69	\$28.04	\$23.80
Second Quarter	\$28.65	\$24.25	\$28.55	\$23.30
Third Quarter	\$26.79	\$19.95	\$26.72	\$22.50
Fourth Quarter	\$23.98	\$19.73	\$26.68	\$22.26

All amounts have been adjusted to reflect a three-for-two stock split effected as a 50 percent stock dividend, paid on June 15, 2004.

# think *Applebee's*

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In today's casual dining industry, the competitive landscape and consumer expectations change quickly. That's why we constantly challenge ourselves to keep the Applebee's experience fresh, appealing and relevant.

For us, thinking fresh is critical and continuing; thinking fresh is what we do and how we excel.

