FORM 424B4

Prospectus filed pursuant to Rule 424(b)(4)

Filing Date: **1995-07-28**
SEC Accession No. 0000950131-95-001983

(HTML Version on secdatabase.com)

FILER

APPLEBEES INTERNATIONAL INC

CIK:**853665**| IRS No.: **431461763** | State of Incorp.:**DE** | Fiscal Year End: **1225**
Type: **424B4** | Act: **33** | File No.: **033-60889** | Film No.: **95557042**
SIC: **5812** Eating places

Mailing Address
4551 W 107TH STREET
SUITE 100
OVERLAND PARK KS 66207

Business Address
4551 W 107TH ST STE 100
OVERLAND PARK KS 66207
9139674000

RULE NO. 424(b)(4)
REGISTRATION NO. 33-60889

Prospectus
dated July 28, 1995

2,400,000 SHARES

LOGO

APPLEBEE'S INTERNATIONAL, INC.

COMMON STOCK

Of the 2,400,000 shares of Common Stock (the "Common Stock") offered hereby, 2,100,000 shares are being sold by Applebee's International, Inc. (the "Company"), and 300,000 shares are being sold by the Selling Stockholders. The Company will not receive any proceeds from the sale of shares by the Selling Stockholders. See "Principal and Selling Stockholders."

The Company's Common Stock is traded on The Nasdaq Stock Market under the symbol "APPB." On July 27, 1995, the last sale price of the Common Stock as reported by The Nasdaq Stock Market was $27.50 per share. See "Price Range of Common Stock."

SEE "RISK FACTORS" BEGINNING ON PAGE 6 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT (1)	PROCEEDS TO COMPANY (2)	PROCEEDS TO SELLING STOCKHOLDERS
Per Share.....................	$26.50	$1.32	$25.18	$25.18
Total (3).....................	$63,600,000	$3,168,000	$52,878,000	$7,554,000

(1) The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
(2) Before deducting expenses of the offering payable by the Company estimated at $300,000.
(3) The Company and the Selling Stockholders have granted the Underwriters a 30-day option to purchase up to an aggregate of 360,000 additional shares of Common Stock solely to cover over-allotments, if any, at the per share Price to Public less the Underwriting Discount. If the Underwriters exercise this option in full, the total Price to Public, Underwriting Discount, Proceeds to Company and Proceeds to Selling Stockholders will be $73,140,000, $3,643,200, $60,809,700 and $8,687,100, respectively. See "Underwriting."

The shares of Common Stock are being offered by the several Underwriters subject to prior sale when, as and if delivered to and accepted by the Underwriters and subject to their right to reject orders in whole or in part. It is expected that delivery of the certificates representing shares of Common Stock will be made at the offices of Piper Jaffray Inc. in Minneapolis, Minnesota on or about August 2, 1995.

PIPER JAFFRAY INC.

DILLON, READ & CO. INC.

MONTGOMERY SECURITIES

[Pictures of Applebee's restaurants and food]

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ STOCK MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN CONNECTION WITH THIS OFFERING, CERTAIN UNDERWRITERS MAY ENGAGE IN PASSIVE MARKET MAKING TRANSACTIONS IN THE COMMON STOCK OF THE COMPANY ON THE NASDAQ STOCK MARKET IN ACCORDANCE WITH RULE 10B-6A UNDER THE SECURITIES EXCHANGE ACT OF 1934. SEE "UNDERWRITING."

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Prospectus or incorporated by reference herein. Unless otherwise noted, the information in this Prospectus does not give effect to the exercise of the Underwriters' over-allotment option.

THE COMPANY

Applebee's International, Inc. (the "Company") develops, franchises and operates casual dining restaurants principally under the name "Applebee's Neighborhood Grill & Bar." The Applebee's system has grown rapidly since the inception of the Company to become one of the largest casual dining restaurant chains in the United States. As of June 25, 1995, the Applebee's system included 576 restaurants in 43 states, one Canadian province and the Caribbean island of Curacao. Of the 576 restaurants, 115 were owned and operated by the Company and 461 were operated by franchisees.

Each Applebee's restaurant is designed as an attractive, friendly, neighborhood establishment featuring moderately priced, high quality food and beverage items, table service and a comfortable atmosphere. The restaurants feature a broad selection of entrees, including beef, chicken, seafood and pasta items, prepared in a variety of cuisines, as well as appetizers, salads, sandwiches, specialty drinks and desserts. Company owned restaurants currently have an average guest check, including alcoholic beverages, of approximately $8.00 to $8.50. Applebee's restaurants appeal to a wide range of customers, including families with children, young adults and senior citizens. The Company's two current free-standing restaurant prototypes are approximately 5,000 and 5,400 square feet and seat approximately 175 and 200 patrons, respectively. System-wide weighted average weekly sales for Applebee's restaurants were $41,376 for the 13 weeks ended March 26, 1995.

Over the last six and a half years, the Company has expanded the Applebee's system by more than 500 restaurants, from 73 restaurants at the end of 1988 to 576 restaurants as of June 25, 1995, primarily through exclusive franchise arrangements with experienced multi-unit restaurant operators and also through Company owned restaurant openings. The Company currently has approximately 60 franchisees, including four international franchisees. Since 1992, the Company has accelerated the growth of its Company owned restaurant operations, both through the opening of new restaurants in existing Company territories and through the selective acquisition of franchise restaurants.

In 1994, the Company and its franchisees opened 23 and 122 Applebee's restaurants, respectively. The Company expects to open at least 27 Applebee's restaurants in 1995, of which 13 were open as of June 25, 1995, and approximately 30 Applebee's restaurants in 1996. The Company expects franchisees to open a minimum of 120 Applebee's restaurants in 1995, of which 58 were open and 34 were under construction as of June 25, 1995. Also as of such date, an additional 98 restaurant sites were approved for franchise development. During 1996, the Company expects franchisees to open more than 100 Applebee's restaurants. Based on these expectations, the Company anticipates that there will be more than 780 domestic Applebee's restaurants in operation by the end of 1996, and believes that the United States can ultimately support approximately 1,200 to 1,500 Applebee's restaurants.

As part of its overall growth strategy, the Company acquired the Rio Bravo Cantina chain of Mexican casual dining restaurants in March 1995. Rio Bravo Cantina restaurants offer generous portions of fresh Tex-Mex and Mexican cuisine at attractive prices. The menu includes traditional Mexican food items such as burritos, enchiladas, tamales and tacos in addition to a wide variety of other favorites such as beef, chicken and shrimp fajitas, quesadillas, shrimp dishes and a variety of salads and desserts. The restaurants feature tortillas made on the premises, fresh daily specials, a variety of signature margaritas and distinctive Mexican architecture and interior decor which create a festive atmosphere reminiscent of an authentic Mexican cantina. As of June 25, 1995, the Company operated 14 Rio Bravo Cantina restaurants in Florida, Georgia and Tennessee. Weighted average weekly sales for Rio Bravo Cantina restaurants were $63,326 for the 13 weeks ended March 26, 1995. The Company expects to open four Company owned Rio Bravo Cantina restaurants in 1995, of which two were open as of June 25, 1995, and five Company owned Rio Bravo Cantina restaurants in 1996. In addition, the Company is currently preparing the Rio Bravo Cantina concept for franchising.

The Company's principal executive offices are located at 4551 West 107th Street, Suite 100, Overland Park, Kansas 66207, and its telephone number is (913) 967-4000. The Company is a Delaware corporation. All references to the Company herein include the Company and its subsidiaries. "Applebee's Neighborhood Grill & Bar" and "Rio Bravo Cantina" are registered trademarks of the Company.

THE OFFERING

<TABLE>

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Common Stock offered:	
By the Company..................	2,100,000 shares
By the Selling Stockholders.....	300,000 shares
Total........................	2,400,000 shares
Common Stock outstanding after the offering........................	30,448,046 shares(1)
Use of proceeds..................	To repay certain outstanding indebtedness, to fund the development of Company owned restaurants and for general corporate purposes. See "Use of Proceeds."
Nasdaq Stock Market symbol........	APPB

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(1) As of June 25, 1995. Does not reflect approximately 1,509,000 shares of Common Stock subject to options outstanding as of June 25, 1995 granted under the Company's 1989 Stock Option Plan and Equity Incentive Plan, of which approximately 882,000 shares were subject to exercisable options.

SUMMARY CONSOLIDATED FINANCIAL AND RESTAURANT DATA
(IN THOUSANDS, EXCEPT PER SHARE AND RESTAURANT DATA)

<TABLE>
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	FISCAL YEAR ENDED					13 WEEKS ENDED	
	DECEMBER 30,	DECEMBER 29,	DECEMBER 27,	DECEMBER 26,	DECEMBER 25,	MARCH 27,	MARCH 26,

	1990	1991	1992	1993	1994	1994	1995
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF EARNINGS DATA:							
Company restaurant sales..................	$65,000	$73,877	$85,459	$159,482	$222,445	$49,847	$66,021
Franchise income........	7,524	9,464	14,319	21,324	31,419	6,658	9,418
Total operating revenues.............	72,524	83,341	99,778	180,806	253,864	56,505	75,439
Operating earnings(1)...	4,547	7,033	9,226	19,677	29,311	5,521	8,232
Pro forma net earnings(1)(2).........	$ 2,781	$ 4,245	$ 6,335	$ 12,551	$ 17,823	$ 3,401	$ 4,253
Pro forma net earnings per common share(1)(2).	$ 0.14	$ 0.21	$ 0.26	$ 0.46	$ 0.64	$ 0.12	$ 0.15
Weighted average shares outstanding...........	19,970	19,763	24,755	27,543	27,970	27,910	28,078

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	MARCH 26, 1995	
	ACTUAL	AS ADJUSTED(3)
<S>	<C>	<C>
BALANCE SHEET DATA:		
Total assets..	$187,997	$227,267
Note payable and long-term obligations, including current portion..	38,171	24,863
Stockholders' equity.................................	115,988	168,566

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	FISCAL YEAR ENDED					13 WEEKS ENDED	
	DECEMBER 30, 1990	DECEMBER 29, 1991	DECEMBER 27, 1992	DECEMBER 26, 1993	DECEMBER 25, 1994	MARCH 27, 1994	MARCH 26, 1995
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
RESTAURANT DATA(4):							
Total system sales (in thousands):							
Applebee's............	$226,804	$287,713	$402,381	$604,813	$882,515	$194,992	$278,420
Rio Bravo Cantinas.....	18,071	20,944	22,583	24,962	36,679	7,975	10,385
Specialty restaurants(5)........	4,441	4,885	5,883	15,652	14,833	4,232	3,437
Total.................	$249,316	$313,542	$430,847	$645,427	$934,027	$207,199	$292,242
Restaurants open (end of period):							
Applebee's:							
Company owned or operated(6)..........	35	33	42	75	97	77	105
Franchise............	125	158	208	286	408	301	430
Total Applebee's......	160	191	250	361	505	378	535
Rio Bravo Cantinas.....	6	7	7	9	12	9	13
Specialty restaurants(5)........	1	1	4	6	4	6	4
Total.................	167	199	261	376	521	393	552

Weighted average weekly sales per restaurant:							
Applebee's:							
Company owned or operated(6)	$ 29,729	$ 29,892	$ 34,679	$ 40,146	$ 39,924	$ 39,745	$ 40,290
Franchise	32,920	32,203	36,424	39,852	41,010	40,967	41,639
Total Applebee's	32,235	31,759	36,150	39,904	40,789	40,717	41,376
Rio Bravo Cantinas	62,100	60,011	62,041	65,346	68,177	68,358	63,326
Change in comparable restaurant sales(7):							
Applebee's:							
Company owned or operated(6)	(0.6)%	1.6%	12.6%	12.1%	3.7%	5.1%	3.7%
Franchise	4.4	(2.3)	10.4	7.6	3.1	4.1	2.2
Total Applebee's	3.0	(1.4)	10.9	8.5	3.2	4.3	2.6
Rio Bravo Cantinas	9.9	(2.0)	2.7	7.6	9.5	14.8	1.1

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(1) Includes merger costs of $920,000 (approximately $0.03 per share) for the fiscal year ended December 25, 1994 and $1,770,000 (approximately $0.06 per share) for the 13 weeks ended March 26, 1995. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) Reflects provisions for pro forma income taxes related to pooled companies which were previously taxed as S corporations or limited partnerships for federal and state income tax purposes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) Adjusted to reflect the sale of 2,100,000 shares of Common Stock offered by the Company hereby and the application of the net proceeds therefrom. See "Use of Proceeds" and "Capitalization."

(4) Sales data are composed of franchise restaurant sales, as reported by franchisees to the Company, and Company restaurant sales.

(5) Specialty restaurants as of December 26, 1993 and March 27, 1994 included two restaurants which were subsequently converted to Rio Bravo Cantina restaurants.

(6) Company owned or operated data include certain Texas restaurants operated by the Company under a management agreement since July 1990. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(7) When computing comparable restaurant sales, restaurants open for at least 18 months are compared from period to period.

RISK FACTORS

In deciding whether to purchase shares of Common Stock offered hereby, a prospective investor should consider all of the information contained in this Prospectus and, in particular, the following factors:

Growth of Applebee's System. The Company has experienced rapid growth in the Applebee's system in the last three years and expects such growth to continue for the foreseeable future. The Company's continued growth will depend upon the ability of the Company and its franchisees to open and operate additional restaurants profitably. The opening of new restaurants, both by the Company and its franchisees, will depend on a number of factors, many of which are beyond the control of the Company and its franchisees. These factors include, among others, the availability of management, restaurant staff and other personnel, the cost and availability of suitable restaurant locations, acceptable leasing or financial terms, cost effective and timely construction of restaurants (which construction can be delayed due to, among other reasons, labor disputes, local zoning and licensing matters, and weather conditions), and securing required governmental permits. There can be no assurance that the Company or its franchisees will be successful in opening the number of restaurants anticipated, or that new restaurants opened by the Company or its franchisees will be operated profitably. See "Business--Expansion Strategy."

In the course of expansion of the Applebee's concept, the Company and its franchisees enter new or more highly competitive geographic regions or local markets in which they may have limited operating experience. There can be no assurance of the level of success of the Applebee's concept in these regions or particular local markets. New Company owned restaurants typically operate with below normal profitability and incur certain additional costs in the process of achieving operational efficiencies during the first several months of operation. When the Company enters highly competitive new markets or territories in which the Company has not yet established a market presence, such as the Texas and southern California markets (in which the Company opened a significant number of new restaurants in 1994), the adverse effects on sales and profit margins may be greater and more prolonged. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company's expansion has and will continue to require the implementation of enhanced operational systems. The Company regularly evaluates the adequacy of its current policies, procedures, systems and resources, including financial controls, management information systems, field and restaurant management, and vendor capacities and relations. There can be no assurance that the Company will adequately address all of the changing demands that its planned expansion will impose on such systems, controls, and resources.

Reliance on Franchisees. The continued growth of the Company is, in part, dependent upon its ability to retain qualified domestic Applebee's franchisees and to attract franchisees for international markets and the ability of its Applebee's franchisees to maximize penetration of their designated markets and to operate their restaurants successfully. Although the Company has established criteria to evaluate prospective franchisees, there can be no assurance that the Company's existing or future franchisees will have the business abilities or access to financial resources necessary to open the required number of Applebee's restaurants or that they will successfully develop or operate these restaurants in their franchise areas in a manner consistent with the Company's standards.

The rights of a franchisee to continued area exclusivity under its development agreement are contingent upon, among other things, the franchisee meeting its development schedule. If the development agreement is terminated due to non-development, any franchise agreements entered into with the franchisee prior to termination remain in effect. When delays in development are anticipated or have been due to reasons acceptable to the Company, the Company has granted extensions to franchisees. Because of delays by franchisees in meeting their development obligations, the Company has historically reviewed and, where appropriate, renegotiated the development obligations for a significant number of its franchisees. The majority of the recent negotiations resulted in less aggressive development schedules.

Although the Company has no obligation to assume the management or operation of any franchise restaurant, in order to stabilize a market, the Company has occasionally undertaken the operation of franchise restaurants or provided financial assurances to lenders and other creditors when, as a result of financial difficulties, the franchisee is unable to continue operating its restaurants. Financial difficulties of franchisees may also from time to time require the Company to stop accruing franchise fees, to establish reserves with respect to amounts due, or both. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company's largest franchisee, Apple South, Inc. ("Apple South"), operated 146 Applebee's restaurants as of June 25, 1995, which constituted 32% of all franchise restaurants. On June 30, 1995, Apple South acquired an additional 18 franchise restaurants for a total of 164 Applebee's restaurants, or 36% of all franchise restaurants. The ability of Apple South to operate its restaurants successfully and meet its development schedule will have an impact on the Company's future growth and results of operations. See "Business--Applebee's Franchise System."

The Company intends to continue its efforts to franchise restaurants in certain international territories. There can be no assurance that the Company will be able to attract qualified franchisees or that such franchisees will be able to open and operate Applebee's restaurants successfully. See "Business--International Franchise Arrangements."

Acquisitions. Since 1992, the Company has acquired 37 Applebee's franchise restaurants, 13 Rio Bravo Cantina restaurants, and four specialty restaurants. The future success of acquired restaurants depends primarily on the Company's ability to maintain sales and profitability of the restaurants and to retain and attract qualified management personnel. Such acquisitions also involve risks of unforeseen liabilities or other conditions relating to the acquired operations. A portion of the proceeds of this offering may be used to acquire additional Applebee's franchise restaurants. Such future acquisitions, should they occur, will present these same uncertainties and risks.

The Company intends to develop and franchise the Rio Bravo Cantina concept. There can be no assurance, however, that the Company will be successful in developing this concept as a franchising vehicle, identifying and attracting franchisees, or operating multiple restaurant concepts. See "Business--Rio Bravo Cantina Restaurants."

Competition. Competition in the casual dining segment of the restaurant industry is expected to remain intense with respect to price, service, location, concept, and the type and quality of food. There is also intense competition for real estate sites, qualified management personnel, and hourly restaurant staff. The Company's competitors include national, regional and local chains as well as local owner-operated restaurants. Some of these restaurant chains have greater financial resources and market presence than the Company and its franchisees. See "Business--Competition."

Restaurant Industry. The restaurant industry is affected by changes in consumer tastes and by national, regional, and local economic conditions, demographic trends, traffic patterns, and the type, number, and location of competing restaurants. Multi-unit chains such as the Company can also be adversely affected by publicity resulting from food quality, illness, injury or other health concerns or operating issues stemming from one restaurant or a limited number of restaurants. Dependence on fresh produce and meats also subjects restaurant companies such as the Company to the risk that shortages or interruptions in supply, caused by adverse weather or other conditions, could adversely affect the availability, quality or cost of ingredients. In addition, factors such as inflation, increased food, labor, and employee benefit costs, and the availability of qualified management and hourly employees may also adversely affect the restaurant industry in general and the Company's restaurants in particular. The continued success of the Company will depend in part on the ability of the Company's management to identify and respond appropriately to changing conditions. See "Business--Competition."

Government Regulation. The restaurant industry is subject to extensive state and local governmental regulations relating to the sale of food and alcoholic beverages and to sanitation, public health, fire, and building codes. Termination of the liquor license for any restaurant would adversely affect the revenues of that restaurant. Restaurant operating costs are also affected by other government actions that are beyond the Company's control, including increases in the minimum hourly wage requirement, workers' compensation insurance rates, and unemployment and other taxes. The Company may be subject in certain states to "dram-shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. The Company is also subject to federal regulation and certain state laws which govern the offer and sale of franchises. Many state franchise laws impose substantive requirements on any franchise agreement, including limitations on noncompetition provisions and the termination or nonrenewal of a franchise. See "Business--Government Regulation."

Stock Price Volatility. The market price of the Common Stock could be subject to significant fluctuations in response to variations in quarterly operating results and other factors. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that have often been unrelated or disproportionate to the operating performance of particular companies. These broad fluctuations may adversely affect the market price of the Common Stock. See "Price Range of Common Stock."

Certain Anti-Takeover Effects. The Company's Certificate of Incorporation and Bylaws, as amended, contain certain provisions which may render more difficult an unfriendly tender offer, proxy contest, merger, or change in control of the

Company, which could be in the best interests of the Company's stockholders. These provisions include the ability to issue "blank check" preferred stock, a classified Board of Directors, and a stockholder rights plan under which all stockholders have a right to purchase shares of Series A Participating Cumulative Preferred Stock on certain conditions relating to an acquisition by a person or group of more than 15% of the outstanding Common Stock or the commencement of a tender offer which could result in such ownership.

Shares Eligible for Future Sale. Pursuant to registration rights granted to the Selling Stockholders, 716,500 shares of Common Stock will be available for sale subsequent to the offering pursuant to a previously filed registration statement. Mr. Richard J. Ferris, a Selling Stockholder not affiliated with the Company, has agreed to refrain from selling any of his portion of such shares until the earlier of 45 days after the consummation of this offering or October 31, 1995. The other Selling Stockholder, Mr. Burton M. Sack, is a director and executive officer of the Company and will be subject to a 90-day lock-up period. See "Principal and Selling Stockholders."

The Company issued approximately 2,630,000 shares of Common Stock in connection with the acquisition of the Rio Bravo Cantina concept. Approximately 703,000 of these shares will become eligible for sale, on the first business day after the Company files its Form 10-Q for the second quarter (anticipated to be August 4, 1995). Approximately 1,927,000 of such shares will be eligible for sale, subject to Rule 144 (except for the holding period requirement), upon expiration of 90-day lock-up agreements executed by directors and certain officers of the Company.

The Company, its executive officers, directors and certain other officers have agreed to refrain from selling any shares of Common Stock for a period of 90 days after the date of this Prospectus, except that the Company may issue shares pursuant to the over-allotment option and certain employee stock option plans. See "Underwriting."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the 2,100,000 shares of Common Stock offered hereby will be $52,578,000 ($60,510,000 if the Underwriters' over-allotment option is exercised in full) after deducting underwriting discounts and estimated offering expenses. The net proceeds will be used (i) to retire approximately $12,500,000 of secured debt assumed in certain recent acquisitions, which debt bears interest at floating rates and has various maturity dates ranging from on demand through the year 2000, (ii) to repay the outstanding balance of the Company's revolving credit facility, which as of July 27, 1995 was $5,000,000, and which bears interest at LIBOR plus 0.60%, or the prime rate, at the Company's option, (iii) to fund the development of Company owned restaurants, and (iv) for general corporate purposes, including possible acquisitions of franchise restaurants. The Company is not currently engaged in any acquisition negotiations. The Company will receive none of the proceeds from the sale of the Common Stock by the Selling Stockholders.

DIVIDEND POLICY

The holders of the Common Stock are entitled to receive dividends when and as declared by the Board of Directors. The Company paid annual dividends for 1993 and 1994 of $0.04 and $0.05 per share of Common Stock, respectively. Future dividends will depend upon future earnings, results of operations, capital requirements, the financial condition of the Company and certain other factors. There can be no assurance as to the amount of net earnings that the Company will generate in 1995 or future years and, accordingly, there can be no assurance as to the amount that will be available for the declaration of dividends, if any. In addition, the Company has entered into debt agreements that contain covenants restricting the amount of retained earnings available for the payment of cash dividends. The Company does not expect these restrictions to materially affect its dividend policy.

PRICE RANGE OF COMMON STOCK

The Common Stock of the Company is traded on The Nasdaq Stock Market under the symbol "APPB." The table below sets forth for the fiscal quarters indicated the reported high and low last sale prices of the Company's Common Stock, as reported on The Nasdaq Stock Market.

	HIGH	LOW
1993		
First quarter	$ 9.38	$ 7.42
Second quarter	13.00	8.50
Third quarter	14.75	12.33
Fourth quarter	21.08	14.50
1994		
First quarter	$25.00	$18.75
Second quarter	25.25	11.00
Third quarter	19.75	11.25
Fourth quarter	20.25	12.75
1995		
First quarter	$22.00	$13.38
Second quarter	26.50	20.50
Third quarter (through July 27, 1995)	27.50	23.50

On July 27, 1995, the last sale price of the Common Stock on The Nasdaq Stock Market was $27.50.

CAPITALIZATION

The following table sets forth the short-term debt and capitalization of the Company at March 26, 1995, and as adjusted to reflect the sale of 2,100,000 shares of Common Stock offered by the Company hereby and the application of the net proceeds therefrom. This table should be read in conjunction with the Consolidated Financial Statements and Notes thereto appearing elsewhere in this Prospectus.

	MARCH 26, 1995 (IN THOUSANDS)	
	ACTUAL	AS ADJUSTED
Note payable and current portion of long-term obligations	$ 3,428	$ 1,229
Long-term obligations, less current portion(1)	$ 34,743	$ 23,634
Stockholders' equity:		
Preferred stock--par value $0.01 per share: authorized--1,000,000 shares; no shares issued	--	--
Common stock--par value $0.01 per share; authorized--125,000,000 shares; issued--28,435,693 shares; 30,535,693 shares, as adjusted(2)	284	305
Additional paid-in capital	81,571	134,128
Retained earnings	34,952	34,952
Unrealized gain on short-term investments, net of income taxes	30	30
Treasury stock--281,772 shares, at cost	(849)	(849)
Total stockholders' equity	115,988	168,566
Total capitalization	$150,731	$192,200

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(1) As of March 26, 1995, there were no amounts outstanding under the Company's $20,000,000 revolving credit facility. As of July 27, 1995, $5,000,000 was

outstanding.

(2) Does not reflect approximately 1,554,000 shares of Common Stock subject to options outstanding as of March 26, 1995 granted under the Company's 1989 Stock Option Plan, of which approximately 969,000 shares were subject to exercisable options.

SELECTED CONSOLIDATED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

The following table sets forth, for the periods and the dates indicated, selected consolidated financial data of the Company. The selected consolidated financial data for the three fiscal years in the period ended December 25, 1994 have been derived from audited financial statements which appear elsewhere in this Prospectus. The selected consolidated financial data of the Company for the 13 weeks ended March 27, 1994 and March 26, 1995 have been derived from unaudited financial statements (which include all normal, recurring adjustments necessary for a fair presentation of the financial data for such periods). Results of operations for the 13 weeks ended March 26, 1995 are not necessarily indicative of the results that may be expected for the remainder of fiscal 1995. The following should be read in conjunction with the Consolidated Financial Statements and Notes thereto appearing elsewhere in this Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

<TABLE>
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	FISCAL YEAR ENDED			13 WEEKS ENDED	
	DECEMBER 27, 1992	DECEMBER 26, 1993	DECEMBER 25, 1994	MARCH 27, 1994	MARCH 26, 1995
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF EARNINGS DATA:					
Revenues:					
Company restaurant sales	$85,459	$159,482	$222,445	$49,847	$66,021
Franchise income	14,319	21,324	31,419	6,658	9,418
Total operating revenues	99,778	180,806	253,864	56,505	75,439
Cost of Company restaurant sales:					
Food and beverage	26,028	46,757	64,819	14,821	18,908
Labor	27,663	50,950	70,777	16,237	21,068
Direct and occupancy	20,489	37,283	53,883	12,319	15,378
Pre-opening expense	768	1,588	2,093	136	633
Total cost of Company restaurant sales	74,948	136,578	191,572	43,513	55,987
General and administrative expenses	14,573	22,526	29,167	6,874	8,909
Merger costs(1)	--	--	920	--	1,770
Amortization of intangible assets	1,031	1,934	2,033	547	515
Loss on disposition of restaurants and equipment	--	91	861	50	26
Operating earnings	9,226	19,677	29,311	5,521	8,232
Other income (expense):					
Investment income	1,623	1,675	1,065	306	237
Interest expense	(599)	(1,075)	(2,029)	(299)	(614)
Other income	33	179	253	60	82
Total other income					

(expense)...........	1,057	779	(711)	67	(295)
Earnings before income taxes..................	10,283	20,456	28,600	5,588	7,937
Income taxes...........	3,472	6,693	9,453	1,904	3,611
Net earnings...........	6,811	13,763	19,147	3,684	4,326
Pro forma provision for income taxes of pooled companies(2)...........	476	1,212	1,324	283	73
Pro forma net earnings(2)................	$ 6,335	$ 12,551	$ 17,823	$ 3,401	$ 4,253
Pro forma net earnings per common share(2)....	$ 0.26	$ 0.46	$ 0.64	$ 0.12	$ 0.15
Weighted average shares outstanding............	24,755	27,543	27,970	27,910	28,078

</TABLE>

<TABLE>
<CAPTION>

<S>	DECEMBER 27, 1992 <C>	DECEMBER 26, 1993 <C>	DECEMBER 25, 1994 <C>	MARCH 26, 1995 ACTUAL <C>	MARCH 26, 1995 AS ADJUSTED(3) <C>
BALANCE SHEET DATA:					
Total assets...	$92,383	$138,680	$180,014	$187,997	$227,267
Note payable and long-term obligations, including current portion..	10,212	19,845	38,697	38,171	24,863
Stockholders' equity........	68,561	92,680	108,788	115,988	168,566

</TABLE>

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(1) Includes merger costs of $920,000 (approximately $0.03 per share) for the fiscal year ended December 25, 1994 and $1,770,000 (approximately $0.06 per share) for the 13 weeks ended March 26, 1995. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) Reflects provisions for pro forma income taxes related to pooled companies which were previously taxed as S corporations or limited partnerships for federal and state income tax purposes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) Adjusted to reflect the sale of 2,100,000 shares of Common Stock offered by the Company hereby and the application of the net proceeds therefrom. See "Use of Proceeds" and "Capitalization."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company's revenues are generated from two primary sources: Company restaurant sales (food and beverage sales) and franchise income consisting of franchise restaurant royalties (generally 4% of each franchise restaurant's monthly gross sales) and franchise fees (which typically range from $30,000 to $35,000 per restaurant opened). Beverage sales include sales of alcoholic beverages, while non-alcoholic beverages are included in food sales. Certain expenses (food and beverage, labor, direct and occupancy costs, and pre-opening expenses) relate directly to Company restaurants, and other expenses (general and administrative and amortization expenses) relate to both Company restaurants and franchise operations. The Company's policy is to expense pre-opening costs as incurred.

Beginning in fiscal 1995, the cost of meals provided to employees and other complimentary meals have been classified as labor costs and direct and occupancy costs, respectively. Previously, the retail price of such meals was reflected in Company restaurant sales with corresponding amounts reflected as labor or direct and occupancy costs. The consolidated financial statements for all periods presented have been reclassified to conform to the presentation adopted in fiscal 1995, the effects of which were not material.

The Company operates on a 52 or 53 week fiscal year ending on the last Sunday in December. The Company's fiscal years ended December 27, 1992, December 26, 1993 and December 25, 1994 each contained 52 weeks, and are referred to hereafter as 1992, 1993 and 1994, respectively. The Company's fiscal quarters ended March 27, 1994 and March 26, 1995 each contained 13 weeks, and are referred to hereafter as the "1995 quarter" and the "1994 quarter," respectively.

RECENT ACQUISITIONS

During 1993, the Company acquired 14 franchise restaurants in Minnesota, effective for financial reporting purposes on February 27, 1993. The Minnesota acquisition was accounted for as a purchase and, accordingly, the results of operations of such restaurants are included in the Company's consolidated statements of earnings subsequent to February 26, 1993 and are hereafter referred to as the "Minnesota operations."

On October 24, 1994, a wholly-owned subsidiary of the Company merged with and into Pub Ventures of New England, Inc. ("PVNE"), the Company's franchisee for the New England area, referred to herein as the "PVNE Merger." As a result of the PVNE Merger, PVNE became a wholly-owned subsidiary of the Company. The PVNE Merger was accounted for as a pooling of interests and, accordingly, the accompanying consolidated financial statements include the accounts and operations of the merged entities for all periods presented. At the time of the PVNE Merger, PVNE operated 14 Applebee's restaurants.

On March 23, 1995, a wholly-owned subsidiary of the Company merged with and into Innovative Restaurant Concepts, Inc. ("IRC"), referred to herein as the "IRC Merger." As a result of the IRC Merger, IRC became a wholly-owned subsidiary of the Company. The IRC Merger was accounted for as a pooling of interests and, accordingly, the accompanying consolidated financial statements include the accounts and operations of the merged entities for all periods presented. At the time of the IRC Merger, IRC operated 17 restaurants, including 13 Rio Bravo Cantina restaurants, and four other specialty restaurants, comprised of Ray's on the River, two Green Hills Grille restaurants, and the Rio Bravo Grill. During 1993, IRC acquired six Casa Gallardo restaurant sites which were subsequently converted to Rio Bravo Cantina restaurants. The four specialty restaurants and the Casa Gallardo restaurants prior to their conversion to Rio Bravo Cantina restaurants are included in "specialty restaurants."

On April 3, 1995, the Company acquired the operations and assets of five franchise restaurants in the Philadelphia metropolitan area, referred to herein as the "Philadelphia Acquisition." The acquisition was

accounted for as a purchase and, accordingly, the results of operations of such restaurants will be reflected in the 1995 financial statements for periods subsequent to the date of acquisition.

Prior to September 7, 1994, PVNE was classified as an S Corporation and accordingly, stockholders were responsible for paying their proportionate share of federal and certain state income taxes. In addition, the combined earnings of IRC included earnings of limited partnerships which were not taxable entities for federal and state income tax purposes. The accompanying consolidated statements of earnings reflect provisions for income taxes on a pro forma basis as if the Company had been liable for federal and state income taxes on PVNE's earnings prior to September 7, 1994 and the earnings of IRC's limited partnerships at statutory rates.

SECOND QUARTER 1995 RESULTS

Based on preliminary information, net earnings for the second quarter ended June 25, 1995 are estimated to be approximately $0.24 per share, an increase of 60% as compared with pro forma net earnings of $0.15 per share for the second quarter ended June 26, 1994. For the 26 weeks ended June 25, 1995, pro forma net earnings are estimated to be approximately $0.39 per share. This represents an increase of 44% as compared with pro forma net earnings of $0.27 per share for the comparable period in 1994. Excluding one-time merger costs of approximately $1,770,000 related to the Company's acquisition of IRC, pro forma net earnings are estimated to be approximately $0.45 per share for the 26 weeks ended June 25, 1995. This represents an increase of 67% as compared with pro forma net earnings of $0.27 per share for the comparable period in 1994.

Applebee's total system sales for the second quarter of 1995 were $300.2 million, an increase of approximately 42% from total system sales of $210.8 million for the second quarter of 1994. System-wide comparable sales increased 1.9% in the 1995 second quarter. Comparable sales of Company owned and operated Applebee's restaurants increased 0.3% and comparable franchisee sales increased 2.3% for the quarter. Total operating revenues for the second quarter of 1995 were $83.8 million, an increase of 35% as compared with $62.2 million for the second quarter of 1994.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, information derived from the Company's consolidated statements of earnings expressed as a percentage of total operating revenues, except where otherwise noted.

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED			13 WEEKS ENDED	
	DECEMBER 27, 1992	DECEMBER 26, 1993	DECEMBER 25, 1994	MARCH 27, 1994	MARCH 26, 1995
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
Company restaurant sales................	85.6%	88.2%	87.6%	88.2%	87.5%
Franchise income......	14.4	11.8	12.4	11.8	12.5
Total operating revenues.............	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Company restaurant sales (as a percentage of Company restaurant sales):					
Food and beverage.....	30.4%	29.3%	29.1%	29.7%	28.6%
Labor.................	32.4	31.9	31.8	32.6	31.9
Direct and occupancy..	24.0	23.4	24.2	24.7	23.3
Pre-opening expense...	0.9	1.0	1.0	0.3	1.0
Total cost of Company restaurant sales.............	87.7%	85.6%	86.1%	87.3%	84.8%
General and administrative expenses..........	14.6%	12.5%	11.5%	12.2%	11.8%
Merger costs............	--	--	0.4	--	2.3
Amortization of intangible assets............	1.0	1.1	0.8	1.0	0.7
Loss on disposition of restaurants and equipment.............	--	0.1	0.3	0.1	--
Operating earnings......	9.2	10.9	11.6	9.8	10.9
Other income (expense):					

Investment income.....	1.6	0.9	0.4	0.5	0.3
Interest expense......	(0.6)	(0.6)	(0.8)	(0.5)	(0.8)
Other income..........	0.1	0.1	0.1	0.1	0.1
	-----	-----	-----	-----	-----
Total other income (expense)..........	1.1	0.4	(0.3)	0.1	(0.4)
	-----	-----	-----	-----	-----
Earnings before income taxes..................	10.3	11.3	11.3	9.9	10.5
Income taxes (including pro forma provision for income taxes)..........	4.0	4.4	4.3	3.9	4.9
	-----	-----	-----	-----	-----
Pro forma net earnings..	6.3%	6.9%	7.0%	6.0%	5.6%
	=====	=====	=====	=====	=====

</TABLE>

The following table sets forth certain unaudited restaurant data relating to Company restaurants and franchise restaurants, as reported to the Company by franchisees.

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED			13 WEEKS ENDED	
	DECEMBER 27, 1992	DECEMBER 26, 1993	DECEMBER 25, 1994	MARCH 27, 1994	MARCH 26, 1995
<S>	<C>	<C>	<C>	<C>	<C>
Number of restaurant openings:					
Applebee's:					
Company owned or operated............	8	17	23	2	8
Franchise...........	52	96	122	15	22
	-------	-------	-------	-------	-------
Total Applebee's....	60	113	145	17	30
Rio Bravo Cantinas....	--	2	3	--	1
Restaurants open (end of period):					
Applebee's:					
Company owned or operated(1)..........	42	75	97	77	105
Franchise...........	208	286	408	301	430
	-------	-------	-------	-------	-------
Total Applebee's....	250	361	505	378	535
Rio Bravo Cantinas....	7	9	12	9	13
Specialty restaurants(2)........	4	6	4	6	4
	-------	-------	-------	-------	-------
Total..............	261	376	521	393	552
	=======	=======	=======	=======	=======
Weighted average weekly sales per restaurant:					
Applebee's:					
Company owned.......	$35,869	$41,166	$40,405	$40,485	$40,559
Company owned or operated(1)..........	34,679	40,146	39,924	39,745	40,290
Franchise...........	36,424	39,852	41,010	40,967	41,639
Total Applebee's....	36,150	39,904	40,789	40,717	41,376
Rio Bravo Cantinas....	62,041	65,346	68,177	68,358	63,326
Change in comparable restaurant sales(3):					
Applebee's:					
Company owned.......	13.3%	12.5%	4.0%	5.7%	3.6%
Company owned or operated(1)..........	12.6	12.1	3.7	5.1	3.7
Franchise...........	10.4	7.6	3.1	4.1	2.2
Total Applebee's....	10.9	8.5	3.2	4.3	2.6

Rio Bravo Cantinas....	2.7	7.6	9.5	14.8	1.1

</TABLE>

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(1) Company owned or operated data include certain Texas restaurants operated by the Company under a management agreement since July 1990 (three at the end of 1992, 1993 and the 1994 quarter and two at the end of 1994 and the 1995 quarter).

(2) Specialty restaurants as of December 26, 1993 and March 27, 1994 included two restaurants which were subsequently converted to Rio Bravo Cantina restaurants.

(3) When computing comparable restaurant sales, restaurants open for at least 18 months are compared from period to period.

1995 QUARTER COMPARED TO 1994 QUARTER

Company Restaurant Sales. Company restaurant sales increased $16,174,000 (32%) from $49,847,000 in the 1994 quarter to $66,021,000 in the 1995 quarter. Company restaurant sales for Applebee's restaurants increased $14,559,000 (39%) from $37,640,000 in the 1994 quarter to $52,199,000 in the 1995 quarter. Sales for the Rio Bravo Cantina restaurants were $7,975,000 and $10,385,000 in the 1994 quarter and the 1995 quarter, respectively, and sales for the specialty restaurants were $4,232,000 and $3,437,000 in the 1994 quarter and the 1995 quarter, respectively. The increases in sales for the Applebee's and Rio Bravo Cantina restaurants resulted primarily from Company restaurant openings and increases in comparable restaurant sales. The decrease in sales for the specialty restaurants was due to the conversion of two Casa Gallardo restaurants to Rio Bravo Cantina restaurants subsequent to the end of the 1994 quarter.

Comparable restaurant sales at Company owned Applebee's restaurants increased by 3.6% in the 1995 quarter. When computing comparable restaurant sales, restaurants open for at least 18 months are compared from period to period. The increase in comparable restaurant sales was due in part to a menu price increase implemented in mid-July 1994 in selected markets for certain menu items. The Company does not expect to achieve such comparable restaurant sales increases for the remainder of the 1995 fiscal year for Company owned Applebee's restaurants, as many of its restaurants are operating near sales capacity and are experiencing increased competition in certain markets. Weighted average weekly sales at Company owned Applebee's restaurants increased slightly from $40,485 in the 1994 quarter to $40,559 in the 1995 quarter. Excluding the southern California and Texas markets, weighted average weekly sales at Company owned Applebee's restaurants increased 5.0% from $42,017 in the 1994 quarter to $44,101 in the 1995 quarter.

Comparable restaurant sales for the Rio Bravo Cantina restaurants increased by 1.1% in the 1995 quarter, although weighted average weekly sales declined from $68,358 in the 1994 quarter to $63,326 in the 1995 quarter. The decrease in weighted average weekly sales was due primarily to the lower than average sales volumes of three of the four new restaurants open in the 1995 quarter that were not open in the first quarter of 1994. Two of the restaurants were opened in a market where there was already an existing Rio Bravo Cantina restaurant and one of the other new restaurants is open only for dinner.

Weighted average weekly sales at Company owned Applebee's restaurants continue to be adversely affected by the southern California and Texas territories where the weighted average weekly sales of Company owned Applebee's restaurants were approximately $26,000 and $31,000, respectively, in the 1995 quarter. When entering highly competitive new markets, or territories where the Company has not yet established a market presence, early sales levels and profit margins are expected to be lower than in markets where the Company has a concentration of restaurants or has established customer awareness. While operating margins in the Texas market have been improving, the operations of the Company owned restaurants in these markets negatively impacted overall cost of sales excluding pre-opening expense (as a percentage of Company restaurant sales) by approximately 2.0% in both the 1995 quarter and the 1994 quarter. The Company believes that the opening of additional restaurants in these territories will result in increased market penetration, advertising effectiveness, and customer awareness, thereby ultimately increasing restaurant sales levels and related margins.

Franchise Income. Franchise income increased $2,760,000 (41%), from $6,658,000 in the 1994 quarter to $9,418,000 in the 1995 quarter, due primarily to the increased number of franchise restaurants operating during the 1995 quarter as compared to the 1994 quarter. Franchise restaurant weighted average weekly sales and comparable restaurant sales increased 1.6% and 2.2%, respectively, in the 1995 quarter.

Cost of Company Restaurant Sales. Food and beverage costs decreased from 29.7% in the 1994 quarter to 28.6% in the 1995 quarter as a result of the menu price increase implemented in mid-July 1994 at Applebee's restaurants and increased operational efficiencies. Such decreases were partially offset by the effect of the continued decline in beverage sales, as a percentage of overall Company restaurant sales, from 21.7%

in the 1994 quarter to 19.5% in the 1995 quarter, as margins on alcoholic beverage sales are higher than those for food sales. Management believes that the reduction in beverage sales is due in part to the continuation of the overall trend toward increased awareness of responsible alcohol consumption. In addition, the Company experienced temporary increases in food costs in the second quarter of 1995 as a result of the winter flooding in California which caused shortages of certain produce items and a significant increase in related costs. The Company does not currently anticipate increasing its menu prices to offset the effects of such increased costs.

Labor costs decreased from 32.6% in the 1994 quarter to 31.9% in the 1995 quarter. Labor costs, as a percentage of sales, were positively impacted by an overall reduction in workers' compensation insurance costs due to favorable historical claims experience, and improved hourly labor efficiency, but were adversely affected by the lower sales volumes in the southern California and Texas markets.

Direct and occupancy costs decreased from 24.7% in the 1994 quarter to 23.3% in the 1995 quarter. The decrease was due primarily to lower levels of advertising expenditures during the 1995 quarter. However, the southern California and Texas markets continue to have a negative impact on overall direct and occupancy costs due to the absorption of such expenses, which are primarily fixed in nature, over a lower sales base in those markets.

General and Administrative Expenses. General and administrative expenses decreased in the 1995 quarter to 11.8% from 12.2% in the 1994 quarter, due primarily to the absorption of general and administrative expenses over a larger revenue base. General and administrative expenses increased by $2,035,000 during the 1995 quarter compared to the 1994 quarter due primarily to the costs of additional personnel associated with the Company's development efforts and system-wide expansion, higher incentive compensation expense, and related fringe benefit costs. A portion of the increase was also due to an increase in the Company's training costs relating to new Company and franchise restaurant openings and the training of restaurant managers.

The Company continues to realize operating losses or nominal income for the Texas restaurants it operates under an agreement with a former franchisee (two in the 1995 quarter and three in the 1994 quarter). Income of $28,000 was realized during the 1995 quarter while a loss of $162,000 was realized during the 1994 quarter. Such amounts are included in general and administrative expenses. The increase in profitability resulted primarily from the closing of one of the three Texas restaurants during the second quarter of 1994. The Company is continuing to evaluate its future strategies for the two remaining restaurants.

The Company is using assets owned by a former Texas franchisee in the operation of these restaurants under a purchase rights agreement which required the Company to make certain payments to the franchisee's lender. In 1991, a dispute arose between the lender and the Company over the amount of the payments due the lender. Based upon a then current independent appraisal, the Company offered to settle the dispute and purchase the assets for $1,000,000 in 1991. The lender rejected the Company's offer and claimed that the Company had guaranteed the entire $2,400,000 debt of the franchisee. In November 1992, the lender was declared insolvent by the FDIC and has since been liquidated. The

Company has been contacted by the FDIC, and in 1993, the Company offered to settle the issue and purchase the assets for the three restaurants then being operated for $182,000. The Company does not anticipate that the resolution of this issue will have a material adverse effect on its financial position or results of operations. However, in the event that the Company were to pay an amount determined to be in excess of the fair market value of the assets, the Company may be required to recognize a loss at the time of such payment.

In January 1991, the Company's franchisee in Houston, Texas declared bankruptcy and as a result, the management of the five franchise restaurants then operated was transferred to a prospective franchisee who subsequently closed two restaurants. In August 1992, the prospective franchisee was granted a development agreement for the Houston territory and franchise agreements for such restaurants, and in October 1993, the Company provided certain financial assistance to this franchisee in the form of a loan and a renegotiated royalty payment obligation. The Company also subsequently provided a guarantee for an equipment lease.

The new franchisee filed for bankruptcy protection in late April 1995. The Company has been monitoring the franchisee's performance and has established reserves which it believes are adequate relating to any receivables from this franchisee and does not anticipate that the franchisee's financial difficulties will have a material adverse effect on the Company's financial position or results of operations.

Merger Costs. The Company incurred merger costs of $1,770,000 in the 1995 quarter relating to the IRC Merger. The impact of these costs on pro forma net earnings per common share was approximately $0.06 in the 1995 quarter.

Investment Income. Investment income decreased in the 1995 quarter compared to the 1994 quarter primarily as a result of decreases in cash and cash equivalents and short-term investments resulting from the Company's utilization of such funds for capital expenditures. In addition, the 1994 quarter included a gain of $101,000 on the sale of investments.

Interest Expense. Interest expense increased in the 1995 quarter compared to the 1994 quarter primarily as a result of interest related to the $20,000,000 of senior unsecured notes issued in the second quarter of 1994.

Income Taxes. The effective income tax rate, as a percentage of earnings before income taxes, was 46.4% in the 1995 quarter compared to 39.1% in the 1994 quarter. The increase in the Company's overall effective tax rate was due to the non-deductibility of the merger costs incurred relating to IRC. Excluding such merger costs, the effective income tax rate would have been 38.0% in the 1995 quarter. The Company's overall effective tax rate excluding merger costs decreased as compared to the 1994 quarter due primarily to increased tax credits in the 1995 quarter for FICA taxes paid by the Company on employee tip income.

1994 COMPARED TO 1993

Company Restaurant Sales. Company restaurant sales increased $62,963,000 (39%) from $159,482,000 in 1993 to $222,445,000 in 1994. Company restaurant sales for Applebee's restaurants increased $52,065,000 (44%) from $118,868,000 in 1993 to $170,933,000 in 1994. Sales from the Minnesota operations accounted for $8,317,000 of the increase, due primarily to the inclusion of such operations for the entire 1994 fiscal year while the 1993 fiscal year included only 43 weeks of sales from the Minnesota operations. The remaining increase in sales resulted primarily from Company restaurant openings, other acquisitions in 1993 and 1994, and increases in comparable restaurant sales. Sales for the Rio Bravo Cantina restaurants were $24,962,000 and $36,679,000 in 1993 and 1994, respectively, and sales for the specialty restaurants were $15,652,000 and $14,833,000 in 1993 and 1994, respectively.

Comparable restaurant sales at Company owned Applebee's restaurants increased by 4.0% in 1994. The increase in comparable restaurant sales was due in part to a menu price increase implemented in mid-July 1994 in selected markets for certain menu items. Such increase was partially offset by lower guest check averages resulting from the "triple choice" special offered as part of the

Company's 1994 "Summerfare" promotion. The "triple choice" special was a combination of an appetizer, salad, and dessert for one relatively low price. Weighted average weekly sales at Company owned Applebee's restaurants decreased from $41,166 in 1993 to $40,405 in 1994. Excluding the southern California and Texas markets, weighted average weekly sales at Company owned Applebee's restaurants increased 4.2% from $41,668 in 1993 to $43,428 in 1994.

The increase in sales for the Rio Bravo Cantina restaurants of $11,717,000 resulted primarily from increases in sales volumes of existing restaurants, the full year impact of two Casa Gallardo restaurants which were converted to Rio Bravo Cantina restaurants during 1993, and the conversion of three additional Casa Gallardo restaurants to Rio Bravo Cantina restaurants during 1994. Comparable restaurant sales for the Rio Bravo Cantina restaurants increased by 9.5% in 1994 and weighted average weekly sales increased 4.3% from $65,346 in 1993 to $68,177 in 1994.

Overall weighted average weekly sales for Applebee's restaurants were adversely affected by the southern California and Texas territories where the weighted average weekly sales of Company owned restaurants were approximately $28,000 and $31,000, respectively, in 1994. Profitability in the southern California and Texas markets was adversely affected by the lower sales volumes and operating inefficiencies at recently opened restaurants. The operations of the Company owned restaurants in these markets increased overall cost of sales excluding pre-opening expense (as a percentage of Company restaurant sales) by approximately 2.1% during 1994. As of December 25, 1994, the Company had eight restaurants open in southern California, of which six opened in 1994. In addition, the Company owned 15 restaurants in the Texas area, of which seven were opened or acquired in 1994.

Franchise Income. Franchise income increased $10,095,000 (47%) from $21,324,000 in 1993 to $31,419,000 in 1994. This increase was due primarily to the increased number of franchise restaurants operating during 1994 as compared to 1993. Weighted average weekly sales and comparable restaurant sales at franchise restaurants increased 2.9% and 3.1%, respectively, in 1994, but were adversely affected by lower guest check averages resulting from the "triple choice" special offered as part of the Company's 1994 "Summerfare" promotion.

Cost of Company Restaurant Sales. Food and beverage costs decreased from 29.3% in 1993 to 29.1% in 1994 as a result of the menu price increase implemented in mid-July 1994 at Applebee's restaurants and operational efficiencies. Such decreases were partially offset by the effect of the continued decline in beverage sales, as a percentage of overall Company restaurant sales, from 21.9% in 1993 to 20.5% in 1994.

Labor costs decreased slightly from 31.9% in 1993 to 31.8% in 1994. Labor costs were positively impacted by an overall reduction in workers' compensation and medical insurance costs due to favorable claims experience, but these decreases were offset, in part, by the effect of the lower sales volumes in the southern California and Texas markets.

Direct and occupancy costs increased from 23.4% in 1993 to 24.2% in 1994. The increase was due primarily to increased levels of advertising expenditures, higher utility costs in certain newer markets, and higher depreciation expense relating to new restaurants during 1994. In addition, the full year effect of the Minnesota operations resulted in an increase in overall rent expense as the Minnesota region has both a higher percentage of leased properties and higher rental rates than the Company restaurants as a whole. The increase in direct and occupancy costs, as a percentage of Company restaurant sales, was also due, in part, to the absorption of such expenses, which are primarily fixed in nature, over a lower sales base in the southern California and Texas markets. Such increases were offset, in part, by a decrease in rent expense for the IRC restaurants due to an increase in the proportion of its owned versus leased properties.

General and Administrative Expenses. General and administrative expenses decreased in 1994 to 11.5% from 12.5% in 1993, due primarily to the absorption of general and administrative expenses over a larger revenue base. General and administrative expenses increased by $6,641,000 during 1994 compared to 1993 due primarily to the costs of additional personnel associated with the Company's development efforts and system-wide expansion, and related fringe benefit costs. A portion of the increase was also due to an increase in the Company's training costs relating to new Company and franchise restaurant openings and the training of restaurant managers. Such increases in general and administrative expenses were partially offset by a decrease resulting from management fees associated with the Minnesota operations of $1,117,000 incurred in 1993.

The Company realized operating losses of $284,000 and $326,000 during 1994 and 1993, respectively, for the Texas restaurants it operates under an agreement with a former franchisee. The Company closed one of the three restaurants during the second quarter of 1994 and recognized a loss of $223,000, due primarily to the termination of the related lease agreement. The operating results of this restaurant had deteriorated, and by closing this restaurant and incurring the one-time costs of disposition, the Company avoided potentially significant losses in the future.

Merger Costs. The Company incurred merger costs of $920,000 in the fourth quarter of 1994 relating to the acquisition of PVNE. The impact of these costs on pro forma net earnings per common share was approximately $0.03 in 1994.

Loss on Disposition of Restaurants and Equipment. As discussed above, during the second quarter of 1994, the Company recognized a loss of $223,000 resulting from the closure and termination of the lease agreement of one of the Texas restaurants. This loss was partially offset by a gain of $54,000 resulting from the sale of one restaurant to a new franchisee. In addition, during 1994 the Company replaced a majority of its restaurant point-of-sale systems with upgraded systems technology which resulted in a write-off of approximately $552,000 for the costs of the existing equipment in 1994.

Investment Income. Investment income decreased in 1994 compared to 1993 primarily as a result of decreases in cash and cash equivalents, short-term investments and marketable securities resulting from the Company's utilization of such funds for capital expenditures and for acquisitions in 1993 and 1994. In addition, a gain of $312,000 was realized on the sale of investments in 1993, while a gain of only $112,000 was realized on a sale of investments in 1994.

Interest Expense. Interest expense increased in 1994 compared to 1993 primarily as a result of interest on the senior unsecured notes issued in the second quarter of 1994 and borrowings under a line of credit.

Income Taxes. The effective income tax rate, as a percentage of earnings before income taxes, was 37.7% in 1994 compared to 38.6% in 1993. The decrease in the Company's overall effective tax rate in 1994 was due primarily to the effect of tax benefits allowed by the Omnibus Budget Reconciliation Act of 1993 beginning in 1994 for FICA taxes paid by the Company on employee tip income. In addition, the Company also earned increased tax credits in 1994 relating to the Targeted Jobs Tax Credit. The effect of these items on the income tax rate was partially offset by the non-deductibility of a majority of the merger costs incurred relating to PVNE.

1993 COMPARED TO 1992

Company Restaurant Sales. Company restaurant sales increased $74,023,000 (87%) from $85,459,000 in 1992 to $159,482,000 in 1993. Company restaurant sales for Applebee's restaurants increased $61,875,000 (109%) from $56,993,000 in 1992 to $118,868,000 in 1993. Sales from the Minnesota operations included in 1993 accounted for $25,215,000 of the increase and the remaining increase of $36,660,000 resulted from Company restaurant openings, other acquisitions in 1993 and 1992, and increases in sales volumes of existing restaurants. Sales for the Rio Bravo Cantina restaurants were $22,583,000 and $24,962,000 in 1992 and 1993, respectively, and sales for the specialty restaurants were $5,883,000 and $15,652,000 in 1992 and 1993, respectively.

Higher sales volumes at existing Company owned Applebee's restaurants resulted from an increase in weighted average weekly sales of 14.8% from $35,869 in 1992 to $41,166 in 1993, and an increase in comparable restaurant sales of 12.5%. The Company believes the increases in weighted average weekly sales and comparable restaurant sales were attributable to increased advertising in Company markets, several successful food promotions, improved customer service, and continued increased customer awareness. In addition, such increases were due, in part, to a menu price increase implemented in mid-January 1993.

The increase in sales for the Rio Bravo Cantina restaurants of $2,379,000 resulted primarily from increases in sales volumes of existing restaurants and from the conversion of two Casa Gallardo restaurants to Rio Bravo Cantina restaurants during the year. Comparable restaurant sales for the Rio Bravo Cantina restaurants increased by 7.6% in 1993 and weighted average weekly sales increased 5.3% from $62,041 in 1992 to $65,346 in 1993. The increase in sales for the specialty restaurants of $9,769,000 was due primarily to the acquisition of two Green Hills Grille restaurants in November 1992 which accounted for $4,455,000 of the increase, the acquisition of four Casa Gallardo restaurants in May 1993 which accounted for $3,258,000 of the increase, and the opening of the Rio Bravo Grill in December of 1992 which accounted for $2,008,000 of the increase. The Casa Gallardo restaurants were acquired in order to obtain locations which were subsequently converted to Rio Bravo Cantina restaurants.

Franchise Income. Franchise income increased $7,005,000 (49%) from $14,319,000 in 1992 to $21,324,000 in 1993, due primarily to the increased number of franchise restaurants operating during 1993 as compared to 1992. Several successful national food promotions also led to increases of 9.4% in weighted average weekly sales and 7.6% in franchise restaurant comparable sales in 1993. The remaining increase in franchise income was due to an increase in franchise fees of $1,345,000 (87%) from $1,548,000 in 1992 to $2,893,000 in 1993, resulting from an increase in the number of new franchise restaurant openings from 52 in 1992 to 96 in 1993.

Cost of Company Restaurant Sales. Food and beverage costs decreased from 30.4% in 1992 to 29.3% in 1993, primarily due to the impact of the Minnesota operations. The food and beverage costs of the Minnesota operations, as a percentage of Minnesota sales, were 28.6% in 1993, due in part to a higher mix of beverage sales at such restaurants. In addition, the menu price increase implemented in mid-January 1993 had a positive impact on the food and beverage costs, as a percentage of Company restaurant sales, on the Company's other Applebee's restaurants. However, the effects of the menu price increase on food and beverage costs were partially offset by the effects of the continued increase in food sales as a percentage of total sales. Beverage sales, as a percentage of overall Company restaurant sales, excluding the Minnesota operations, were 21.1% in 1993 versus 23.8% in 1992.

Labor costs decreased from 32.4% in 1992 to 31.9% in 1993, primarily from the lower labor costs of the Minnesota operations. Labor costs of the Minnesota operations, as a percentage of Minnesota sales, were 29.4% in 1993. In addition, labor costs for the Company Applebee's restaurants other than the Minnesota operations, declined by 1.8% in 1993 compared to 1992, due to higher sales volumes, improved labor efficiency, and a reduction in medical insurance costs due to favorable claims experience in 1993. Such decreases were offset, in part, by an increase in labor costs for the IRC restaurants due primarily to the higher costs associated with the Casa Gallardo restaurants acquired in 1993 and the Green Hills Grille restaurants acquired in November 1992, as well as the Rio Bravo Grill which opened in December 1992.

Direct and occupancy costs decreased from 24.0% in 1992 to 23.4% in 1993. The decrease was due primarily to a decrease in rent expense for the IRC restaurants due to an increase in the proportion of its owned versus leased properties. This decrease was offset, in part, by increased levels of advertising expenditures during 1993 for the Applebee's restaurants.

Pre-opening expense increased from $768,000 in 1992 to $1,588,000 in 1993. During 1993, the Company changed its policy from amortizing certain pre-opening costs over the first twelve months of operation of a new or relocated restaurant beginning with the first full four weeks of operation to expensing certain of such costs as incurred. Pre-opening costs incurred for the 17 new Applebee's restaurants opened in 1993 and the two Rio Bravo Cantina restaurants converted in 1993 using this method were $1,330,000. The cumulative effect of the change in accounting method of $258,000 (before related income taxes of $100,000) is included in pre-opening expense in the 1993 consolidated statement of earnings.

General and Administrative Expenses. General and administrative expenses decreased in 1993 to 12.5% from 14.6% in 1992 due, in part, to the absorption of general and administrative expenses over a larger revenue base. General and administrative expenses increased by $7,953,000 during 1993 compared to 1992 due to added personnel and related costs associated with the Company's development efforts and system-wide expansion, including the acquisition of the Minnesota operations, the costs of franchise services to support the increased number of franchise restaurants, and higher incentive compensation expense. A portion of the increase was also due to an increase in the Company's training costs relating to new Company and franchise restaurant openings and the training of restaurant managers. An additional portion of the increase resulted from management fees associated with the Minnesota operations of $1,117,000 incurred in 1993.

The Company realized operating losses for the three Texas restaurants it operates under an agreement between the Company and its former franchisee. These losses were $326,000 and $346,000 during 1993 and 1992, respectively.

Amortization Expense. Amortization of intangible assets increased in 1993 compared to 1992, due primarily to amortization of goodwill and other intangibles associated with the acquisitions of restaurants in 1993 and in late 1992.

Investment Income. Investment income increased in 1993 compared to 1992 primarily because of a $312,000 gain on the sale of investments in 1993. This increase was partially offset by a decrease in investment income due to decreases in cash and cash equivalents, short-term investments, and marketable securities resulting from the Company's utilization of such funds for capital expenditures and acquisitions.

Income Taxes. The effective income tax rate, as a percentage of earnings before income taxes, was 38.6% in 1993 compared to 38.4% in 1992. The provisions of the Omnibus Budget Reconciliation Act of 1993 did not have a material overall effect on the Company's income tax expense for 1993.

The Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," for its 1993 fiscal year and did not restate financial statements for prior periods. The adoption of Statement No. 109 did not have a material impact on the Company's financial position or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

The following table presents a summary of the Company's cash flows for 1992, 1993, 1994 and the 1995 quarter (in thousands):

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED			13 WEEKS ENDED
	DECEMBER 27, 1992	DECEMBER 26, 1993	DECEMBER 25, 1994	MARCH 26, 1995
<S>	<C>	<C>	<C>	<C>
Net cash provided by operating activities...................	$ 11,617	$ 27,704	$ 30,828	$ 10,228
Net cash used by investing activities....................	(41,937)	(30,129)	(45,624)	(7,939)
Net cash provided by financing activities....................	31,476	6,490	16,376	999
Net increase in cash and cash equivalents..................	$ 1,156	$ 4,065	$ 1,580	$ 3,288

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</TABLE>

The Company's need for capital resources historically has resulted from and for the foreseeable future is expected to relate primarily to the construction and acquisition of restaurants. Such capital has been provided by public stock offerings, debt financing, and ongoing Company operations, including cash generated from Company and franchise operations, credit from trade suppliers, real estate lease financing, and landlord contributions to leasehold improvements. The Company has also used its common stock as consideration in the acquisition of restaurants. In addition, the Company assumed debt or issued new debt in connection with the Minnesota acquisition and the PVNE and IRC Mergers.

Capital expenditures were $48,734,000 in 1994 (which includes the acquisition of two franchise restaurants) and $8,039,000 in the 1995 quarter. In addition, in April 1995, the Company completed the Philadelphia Acquisition for a total cash purchase price of $9,500,000. The Company currently expects to open at least 27 Applebee's restaurants and four Rio Bravo Cantina restaurants in 1995 and approximately 30 Applebee's restaurants and five Rio Bravo Cantina restaurants in 1996. The Company presently anticipates capital expenditures, including the Philadelphia Acquisition, of between $65,000,000 and $70,000,000 in 1995 and between $60,000,000 and $65,000,000 in 1996 primarily for the development of new restaurants, refurbishments of and capital replacements for existing restaurants, and enhancements to information systems for the Company's restaurants and corporate office. The amount of actual capital expenditures will be dependent upon the proportion of leased versus owned properties, among other things. In addition, if the Company opens more restaurants than it currently anticipates or acquires additional restaurants, its capital requirements will increase accordingly.

In June 1994, the Company completed a $20,000,000 senior unsecured private debt placement with institutional lenders unaffiliated with the Company. In addition, in February 1995, the Company obtained additional long-term debt financing in the form of a $20,000,000 unsecured bank revolving credit facility which expires on December 31, 1997. The debt agreements contain various covenants and restrictions which, among other things, require the maintenance of a stipulated fixed charge coverage ratio and minimum consolidated net worth, as defined, and also limit additional indebtedness in excess of specified amounts. The debt agreements also restrict the amount of retained earnings available for the payment of cash dividends. At March 26, 1995, $22,769,000 of retained earnings was available for the payment of cash dividends. The Company has been and is currently in compliance with the covenants of all of its debt agreements.

As of June 25, 1995, the Company held liquid assets totaling approximately $9,000,000, and had $5,000,000 outstanding under the revolving credit facility. Any borrowings outstanding under the revolving credit facility will be repaid from the net proceeds of this offering. In addition, the Company will repay approximately $12,500,000 of debt assumed in connection with the PVNE and IRC Mergers from the net proceeds of this offering. The Company believes that the proceeds from this offering, combined with borrowings available under the $20,000,000 revolving credit facility, liquid assets, and cash generated from operations, will provide sufficient funds for its capital requirements for the foreseeable future.

INFLATION

Substantial increases in costs and expenses, particularly food, supplies, labor and operating expenses could have a significant impact on the Company's operating results to the extent that such increases cannot be passed along to customers. The Company does not believe that inflation has materially affected its operating results during the past three years.

BUSINESS

GENERAL

The Company develops, franchises and operates casual dining restaurants principally under the name "Applebee's Neighborhood Grill & Bar." The Applebee's system has grown rapidly since the inception of the Company to become one of the largest casual dining restaurant chains in the United States. As of June 25, 1995, the Applebee's system included 576 restaurants in 43 states, one Canadian province and the Caribbean island of Curacao. Of the 576 restaurants, 115 were owned and operated by the Company and 461 were operated by franchisees.

Over the last six and a half years, the Company has expanded the Applebee's system by more than 500 restaurants, from 73 restaurants at the end of 1988 to 576 restaurants as of June 25, 1995, primarily through exclusive franchise arrangements with experienced multi-unit restaurant operators and also through Company owned restaurant openings. The Company currently has approximately 60 franchisees, including four international franchisees. Since 1992, the Company has accelerated the growth of its Company owned restaurant operations, both through the opening of new restaurants in existing Company territories and through the selective acquisition of franchise restaurants.

As part of its overall growth strategy the Company acquired the Rio Bravo Cantina chain of Mexican casual dining restaurants in March 1995. Rio Bravo Cantina restaurants offer generous portions of fresh Tex-Mex and Mexican cuisine at attractive prices. As of June 25, 1995, the Company operated 14 Rio Bravo Cantina restaurants in Florida, Georgia and Tennessee.

EXPANSION STRATEGY

The Company intends to continue expanding its position in the casual dining industry through the following strategies:

- Development of Company owned Applebee's restaurants through the opening of new restaurants in the Company's existing territories and opportunistic acquisitions of Applebee's franchise restaurants.

- Active support of Applebee's franchisees in developing their franchise territories and optimizing restaurant operating performance.

- Growth of the Applebee's franchise system into international markets, initially certain areas of Canada, the Caribbean and northern Europe.

- Expansion of the Rio Bravo Cantina concept through franchising and the development of Company owned restaurants.

In 1994, the Company and its franchisees opened 23 and 122 Applebee's restaurants, respectively. The Company expects to open at least 27 Applebee's restaurants in 1995, of which 13 were open as of June 25, 1995, and approximately 30 Applebee's restaurants in 1996. The Company expects franchisees to open a minimum of 120 Applebee's restaurants in 1995, of which 58 were open and 34 were under construction as of June 25, 1995. Also as of such date, an additional 98 restaurant sites were approved for franchise development. During 1996, the Company expects franchisees to open more than 100 Applebee's restaurants. Based on these expectations, the Company anticipates that there will be more than 780 domestic Applebee's restaurants in operation by the end of 1996 and believes that the United States can ultimately support approximately 1,200 to 1,500 Applebee's restaurants.

The Company expects to open four Company owned Rio Bravo Cantina restaurants in 1995, of which two were open as of June 25, 1995, and five Company owned Rio Bravo Cantina restaurants in 1996. In addition, the Company plans to begin selecting its initial franchisees for the Rio Bravo Cantina concept in late 1995 and currently expects that those franchisees would open their first restaurants in the second half of 1996.

The following map shows the location by state and the number of Company owned and franchise restaurants in the United States as of June 25, 1995:

[MAP OF UNITED STATES]

THE APPLEBEE'S SYSTEM

Concept. Each Applebee's restaurant is designed as an attractive, friendly, neighborhood establishment featuring moderately priced, high quality food and beverage items, table service and a comfortable atmosphere. Company owned restaurants currently have an average guest check, including alcoholic beverages, of approximately $8.00 to $8.50. Applebee's restaurants appeal to a wide range of customers including families with children, young adults and senior citizens.

Applebee's restaurants are designed according to Company specifications and are located in free-standing buildings, end caps of strip shopping centers, and shopping malls. The Company's two current free-standing restaurant prototypes are approximately 5,000 and 5,400 square feet and seat approximately 175 and 200 patrons, respectively. Each Applebee's restaurant has a centrally located bar and many restaurants offer patio seating. The decor of each restaurant incorporates artifacts and memorabilia such as old movie posters, musical instruments and sports equipment along with photographs and magazine and newspaper articles highlighting local history and personalities, giving each restaurant an individual, neighborhood identity.

Menu. Each Applebee's restaurant offers a diverse menu of high quality, moderately priced food and beverage items consisting of traditional favorites and innovative dishes. The restaurants feature a broad selection of entrees, including beef, chicken, seafood and pasta items prepared in a variety of cuisines, as well as appetizers, salads, sandwiches, specialty drinks and desserts. The Company's core menu is supplemented by four food-specific promotions each year. Most restaurants offer beer, wine, liquor and premium specialty drinks. During 1994, alcoholic beverages accounted for 17.9% of Company owned Applebee's restaurant sales. The Company continuously develops and tests new menu items through regional consumer tastings and additional tests in selected Company and franchise restaurants. Franchisees are required to present a menu consisting of approximately 65% of selections from the Company approved list of national core items and approximately 35% of additional items selected from the Company approved list of optional items.

Restaurant Operations. All restaurants are operated in accordance with uniform operating standards and specifications relating to the quality and preparation of menu items, selection of menu items, maintenance and cleanliness of premises, and employee conduct. The Company's operational standards are based upon "QSCVC"--quality, service, cleanliness, value and courtesy. All standards and specifications are developed by the Company, with input from franchisees, and applied on a system-wide basis.

Training. The Company has an extensive 10 to 12 week restaurant operations training course for general managers, kitchen managers and other restaurant managers with development or supervisory responsibility over more than one restaurant. The operations training course consists of in-store task-oriented training and formal administrative, customer service, and financial training. A team of Company employed trainers conducts hands-on training for all restaurant employees to ensure compliance with Company standards.

The Company also operates Applebee University, which offers restaurant managers specialized training programs, and conducts regular meetings that emphasize leadership, quality of food preparation, and service. In 1994, the Company conducted 12 Applebee University sessions consisting of approximately four days of continuing education in a classroom setting. The Company, generally through in-restaurant seminars and video presentations, provides periodic training for its restaurant employees regarding topics such as the responsible service of alcohol and food sanitation and storage.

Advertising. The Company concentrates its advertising and marketing efforts primarily on four food-specific promotions each year. Each promotion features a specific theme or ethnic cuisine. Two of the Company's most popular promotions have been the current "Summerfare" and annual "Riblet" promotion. The Company advertises on a national, regional and local basis, utilizing primarily television, radio and print media. In 1994, the Company spent approximately 3.4% of Company owned restaurant's monthly gross sales on advertising, including 1.5% contributed to the national advertising pool which develops and funds the specific national promotions. All franchisees are also required to contribute 1.5% to the national advertising account. The remainder of the Company's advertising expenditures are focused on local advertising in areas with Company owned restaurants.

Purchasing. Maintaining high food quality and system-wide consistency is a central focus of the Company's purchasing program. The Company mandates quality standards for all products used in the restaurants and maintains a limited list of approved suppliers from which the Company and its franchisees must select. The Company has negotiated purchasing agreements with most of its approved suppliers which result in volume discounts for the Company and its franchisees. Beginning in late 1993, the Company addressed the need to assure sufficient future supplies of Riblets, a successful specialty item on the Applebee's menu, by purchasing large quantities and placing them in storage. The Company has made such supplies of Riblets available to franchisees generally at its cost through third-party distributors and expects to continue to do so.

COMPANY APPLEBEE'S RESTAURANTS

Company Restaurant Openings and Acquisitions. The Company's expansion strategy is to cluster restaurants in targeted markets, thereby increasing consumer awareness and enabling the Company to take advantage of operational, distribution, and advertising efficiencies. The Company's experience in developing markets indicates that market penetration through the opening of multiple restaurants within a particular market results in increased average restaurant sales in that market.

The Company has expanded from a total of 31 owned or operated restaurants as of December 27, 1992 to a total of 115 as of June 25, 1995. The areas in which the Company's restaurants are located and the areas where the Company opened new restaurants or acquired restaurants from franchisees during 1994 and 1995 are set forth in the following table. The Company intends to continue developing restaurants in all of the following areas, with the exception of Atlanta, Georgia.

<TABLE>
<CAPTION>

AREA	COMPANY RESTAURANTS AS OF DECEMBER 27, 1992	COMPANY RESTAURANTS OPENED AND ACQUIRED IN 1993	1994	1995 (THROUGH JUNE 25)	COMPANY RESTAURANTS AS OF JUNE 25, 1995
<S>	<C>	<C>	<C>	<C>	<C>
North/Central Texas.........	6	6	7	1	18
Minneapolis/St. Paul, Minnesota......................	-	15	1	2	18
New England (includes Massachusetts, Vermont, New Hampshire, Rhode Island, Maine and parts of Connecticut)..............	-	-	15	2	17
Kansas City, Missouri.......	13	1	-	3	17
Detroit/Southern Michigan...	-	6	7	1	14
San Diego/Southern California......................	1	2	6	3	11
Atlanta, Georgia...........	8	-	-	-	8
Philadelphia, Pennsylvania..	-	-	-	5	5
Las Vegas/Reno, Nevada......	3	-	1	-	4
Albuquerque, New Mexico.....	-	1	-	1	2
Long Island, New York.......	-	-	1	-	1

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31	31	38	18	115
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In addition, during 1994, the Company sold one restaurant in Texas to a new franchisee, closed one restaurant in Texas which it had managed, and transferred the operations of one California restaurant to a franchisee.

Restaurant Operations. The staff for a typical Applebee's restaurant consists of one general manager, one kitchen manager, three assistant managers and approximately 85 hourly employees. All managers of Company owned restaurants receive a salary, performance bonus based on restaurant sales, profits and adherence to Company standards, and an annual stock option grant. The Company employs five Regional Vice Presidents of Operations/Directors of Operations and 21 District Managers, whose duties include regular restaurant visits and inspections and the ongoing maintenance of the Company standards of quality,

service, cleanliness, value, and courtesy. In addition to providing a significant contribution to revenues and operating earnings, Company restaurants are used for many purposes which are integral to the development of the entire system, including testing of new menu items and training of franchise restaurant managers and operating personnel. In addition, the operation of Company restaurants enables the Company to develop and refine its operating standards and specifications further and to understand and better respond to day-to-day management and operating concerns of franchisees.

Unit Economics. For the 52 weeks ended March 26, 1995, the 72 Company owned Applebee's restaurants opened prior to March 28, 1994 generated average sales of approximately $2,134,000, average restaurant operating income of approximately $364,000 (or 17.1% of sales), and average cash flow of $430,000 (or 20.1% of sales). The 23 Applebee's restaurants opened by the Company in fiscal 1994 had an average cash investment of approximately $1,064,000 for building, leasehold improvements, furniture, fixtures and equipment, excluding land costs, pre-opening expense, and landlord contributions. The Company anticipates that such average cash investment per restaurant will be approximately $1,000,000 to $1,200,000 in 1995. The Company has historically purchased the land for a portion of its new restaurants and leased the remainder, depending upon factors such as land cost, site availability, and lease terms. The Company purchased the land for approximately 60% of its restaurants opened in 1994 with an average cost of approximately $525,000 per site. The Company expects to continue to purchase a significant portion of its sites.

THE APPLEBEE'S FRANCHISE SYSTEM

Franchise Territory and Restaurant Openings. The Company currently has exclusive franchise arrangements with approximately 60 franchisees, including four international franchisees. The Company has generally selected franchisees that are experienced multi-unit restaurants operators who have been involved with other restaurant concepts. The Company's franchisees operate Applebee's restaurants in 36 states, one Canadian province and the Caribbean island of Curacao. Virtually all territories in the contiguous 48 states have been granted to franchisees or designated for Company development.

As of June 25, 1995, there were 461 franchise restaurants. Franchisees opened 96 restaurants in 1993, 122 restaurants in 1994, and, through June 25, 58 restaurants in 1995. The Company anticipates at least 120 franchise restaurant openings in 1995 and more than 100 franchise restaurant openings in 1996.

Development of Restaurants. The Company makes available to franchisees the physical specifications for a typical restaurant, retaining the right to prohibit or modify the use of any plan. Each franchisee, with assistance from the Company, is responsible for selecting the site for each restaurant within its territory, subject to Company approval. The Company conducts a physical inspection, reviews any proposed lease or purchase agreement, and makes available demographic studies.

Domestic Franchise Arrangements. Each Applebee's franchise arrangement consists of a development agreement and separate franchise agreements. Development agreements grant the exclusive right to develop a number of restaurants in a designated geographical area. The term of a domestic development agreement is generally 20 years. A separate franchise agreement is entered into by the franchisee relating to the operation of each restaurant which has a term of 20 years and permits renewal for up to an additional 20 years in accordance with the terms contained in the then current franchise agreement (including the then current royalty rates and advertising fees) and upon payment of an additional franchise fee.

For each restaurant developed, a franchisee is currently obligated to pay to the Company a royalty fee equal to 4% of the restaurant's monthly gross sales. The Company's current form of development agreement requires an initial franchise fee of $35,000 for each restaurant developed during its term. The terms, royalties and advertising fees under a limited number of franchise agreements and the franchise fees under older development agreements vary from the currently offered arrangements.

The Company's largest franchisee is Apple South, Inc. ("Apple South") headquartered in Madison, Georgia. Apple South is a publicly traded company and operated 146 Applebee's restaurants as of June 25, 1995. On June 30, 1995, Apple South acquired an additional 18 franchise restaurants for a total of 164 Applebee's restaurants. No other individual franchisee or group of affiliated franchisees has more than 40

restaurants. The Company recently entered into an agreement with Apple South which allowed Apple South to acquire certain franchise and development rights in Wisconsin and Chicago and imposed accelerated development schedules in Apple South's existing territories. Under the agreement, Apple South is restricted from opening or franchising any other casual dining restaurant concepts in the Chicago and Wisconsin territories until its development of Applebee's restaurants in those territories reaches specified targets. The agreement with Apple South also acknowledges that, in view of the significant amount of additional development territory acquired by Apple South in 1995, among other things, it is highly unlikely that, during the next four years, the Company will approve any transfers of Applebee's development territory to Apple South from another franchisee or directly grant Apple South any new Applebee's development territory.

Advertising. Domestic franchisees are required to spend at least 1.5% of annual gross sales on local advertising and promotional activities, in addition to their 1.5% annual contribution to the national advertising account. Franchisees also promote the opening of each restaurant and the Company, subject to certain conditions, reimburses the franchisee for 50% of the out-of-pocket opening advertising expenditures, up to a maximum of $2,500. The Company can increase the combined amount of the monthly advertising fee and the amount required to be spent on local advertising and promotional activities to a maximum of 5% of gross sales.

Training and Support. The Company provides ongoing advice and assistance to franchisees in connection with the operation and management of each restaurant through training sessions, meetings, seminars, on-premises visits, and by written or other material. Such advice and assistance relates to revisions to operating manual policies and procedures, and new developments, techniques, and improvements in restaurant management, food and beverage preparation, sales promotion, and service concepts.

Quality Control. The Company continuously monitors franchisee operations and inspects restaurants, principally through its 19 full-time employed franchise consultants who report to the Company's two Directors of Franchise Operations. The Company makes both scheduled and unannounced inspections of restaurants to ensure that only approved products are in use and that Company prescribed practices and procedures are being followed. A minimum of three planned visits are made each year, during which a representative of the Company conducts an inspection and consultation at each restaurant. Franchisees must comply with the Company's high standards of quality, service, cleanliness, value, and courtesy. The Company has the right to terminate a franchise if a franchisee does not operate and maintain a restaurant in accordance with the Company's requirements.

Franchise Business Council. The Company maintains a Franchise Business Council which provides advice to the Company regarding operations, marketing, product development and other aspects of restaurant operations for the purpose of improving the franchise system. The Franchise Business Council consists of seven franchisee representatives and two members of the Company's management. One of the franchisee representatives is a permanent member and any franchisee who operates at least 10% of the total number of system restaurants is reserved a seat (currently one franchisee). The remaining franchisee representatives are elected prior to and announced at the annual franchise convention.

International Franchise Agreements. The Company has begun pursuing international franchising of the Applebee's concept under a long-term strategy of controlled expansion. This strategy includes seeking highly qualified franchisees with the resources to open multiple restaurants in each territory and the familiarity with the specific local business environment. The Company will initially focus on international franchising in Canada, the Caribbean, and northern Europe. In this regard, franchisees opened restaurants in Winnipeg, Manitoba, and the Caribbean island of Curacao during 1994, and in Puerto Rico in July 1995. In addition, the Company entered into a development agreement with its first European franchisee during 1994. The Company anticipates the first franchise restaurant in the Netherlands under this agreement to open in the fall of 1995. The success of further international expansion will be dependent upon, among other things, foreign acceptance of the Applebee's concept, and the Company's ability to attract qualified franchisees and operating personnel, to comply with the regulatory requirements of foreign jurisdictions, and to supervise international franchisee operations effectively.

Franchise Financing. Although financing is the sole responsibility of the franchisee, the Company makes available to franchisees the names and addresses of financial institutions interested in financing the costs of restaurant land, building and equipment for qualified franchisees. None of these financial institutions is an affiliate or agent of the Company, and the Company has no control over the terms or conditions of any financing arrangement offered by these financial institutions. Under a previous franchise financing program, the Company provided a limited guaranty of loans made to certain franchisees. See Notes to Consolidated Financial Statements of the Company included elsewhere herein. On infrequent occasions, when the Company believes it is necessary to support franchise development in a strategic territory, the Company has made secured loans to franchisees, agreed to defer collection of royalties, or guaranteed equipment leases.

RIO BRAVO CANTINA RESTAURANTS

General. As part of its overall growth strategy, the Company acquired the Rio Bravo Cantina chain of Mexican casual dining restaurants in March 1995. As of June 25, 1995, the Company operated 14 Rio Bravo Cantina restaurants in Florida, Georgia and Tennessee.

Expansion. The Company is in the process of developing the franchising program for the Rio Bravo Cantina concept and the related Company support systems. The Company anticipates that the franchise preparation process will be completed and that the initial Rio Bravo Cantina franchisees will be selected in late 1995. Franchise restaurants are anticipated to begin opening in the second half of 1996.

Additionally, the Company will continue developing Rio Bravo Cantina restaurants in the market areas where it currently has Rio Bravo Cantinas and will begin to open restaurants in other selected markets. The Company expects to open four Company owned Rio Bravo Cantina restaurants in 1995, of which two were open as of June 25, 1995, and five Company owned Rio Bravo Cantina restaurants in 1996.

Concept. Rio Bravo Cantina restaurants offer generous portions of fresh Tex-Mex and Mexican cuisine at attractive prices. The restaurants feature tortillas made on the premises, fresh daily specials, a variety of signature margaritas and distinctive Mexican architecture and interior decor which create a festive atmosphere reminiscent of an authentic Mexican cantina. The design of the restaurants incorporates materials such as exposed brick, barn wood, Mexican tile floors and stucco walls embellished with various signs, inscriptions and other items depicting a rustic border motif.

Rio Bravo Cantina restaurants can be located in either free-standing buildings or strip shopping centers and are adaptable to conversions of pre-existing restaurant sites. Existing locations, many of which are conversions of other restaurants, range in size from 6,600 to 10,300 square feet and seat between 225 and 450 customers. Most of the restaurants have a patio area providing additional seating during much of the year. The Company is currently refining a free-standing prototype, which is expected to be approximately 6,900 square feet, and will seat approximately 240 people with an optional outdoor patio area that seats approximately 45 patrons.

Menu. Rio Bravo Cantina restaurants are open for lunch and dinner seven days a week. The menu includes traditional Mexican food items such as burritos, enchiladas, tamales and tacos. In addition, the menu offers a wide variety of other favorites such as beef, chicken and shrimp fajitas, quesadillas, shrimp dishes, and a variety of salads and desserts. A large variety of Mexican and domestic beers, Sangria, and signature margaritas are also featured. The lunch menu offers entrees priced from $4.55 to $7.75 and dinner entrees priced from $5.50 to $12.99. Rio Bravo Cantina restaurants currently have an average guest check, including alcoholic beverages, of between $11.75 and $12.75. During 1994, alcoholic beverages accounted for approximately 32% of total restaurant sales.

SPECIALTY RESTAURANTS

In connection with the acquisition of the Rio Bravo Cantina concept, the Company also acquired four specialty restaurants, comprised of two Green Hills Grille restaurants in Nashville, Tennessee and Huntsville, Alabama, an upscale Rio Bravo Cantina called the Rio Bravo Grill in Atlanta, Georgia and Ray's on the River, in Atlanta, Georgia. The Company currently does not intend to expand any of the specialty restaurant concepts.

COMPETITION

The restaurant industry is highly competitive with respect to price, service, location, concept and food type and quality, and competition is expected to intensify. There are a number of well-established competitors with substantially greater financial and other resources than the Company. Some of the Company's competitors have been in existence for a substantially longer period than the Company and may be better established in the markets where the Company's restaurants are or may be located. The restaurant business is often affected by changes in consumer tastes, national, regional or local economic conditions, demographic trends, traffic patterns, the availability and cost of suitable locations, and the type, number, and location of competing restaurants. The Company has begun to experience increased competition in attracting and retaining qualified management level operating personnel. In addition, factors such as inflation, increased food, labor and benefits costs, and the availability of and competition for hourly employees may adversely affect the restaurant industry in general and the Company's restaurants in particular.

SERVICE MARKS

The Company owns the rights to the "Applebee's Neighborhood Grill & Bar" and "Rio Bravo Cantina" service marks and certain variations thereof in the United States and, with respect to the Applebee's mark, in various foreign countries. The Company is aware of names and marks similar to the service marks of the Company used by third parties in certain limited geographical areas. The Company does not know of any infringing uses that it believes would materially affect its business. The Company intends to protect its service marks by appropriate legal action where and when necessary.

EMPLOYEES

At June 25, 1995, the Company employed approximately 12,600 full and part-time employees, of whom approximately 250 were corporate personnel, 800 were restaurant managers or manager trainees and 11,550 were employed in non-management full and part-time restaurant positions. Of the 250 corporate employees, 70 were in management positions and 180 were general office employees, including part-time employees.

The Company considers its employee relations to be good. Most employees, other than restaurant management and corporate personnel, are paid on an hourly basis. The Company believes that it provides working conditions and wages that compare favorably with those of its competition. The Company has never experienced a work stoppage due to labor difficulty and the Company's employees are not covered by a collective bargaining agreement.

PROPERTIES

At June 25, 1995, the Company owned or operated 115 Applebee's restaurants, of which it leased the land and building for 57 sites, owned the building and leased the land for 21 sites, and owned the land and building for 37 sites. The Company also owned 18 other restaurants (including 14 Rio Bravo Cantinas and four specialty restaurants), of which it leased the land and building for 10 sites and owned the land and building for eight sites. In addition, as of June 25, 1995, the Company owned five sites for future development of restaurants and had entered into 10 lease agreements for restaurant sites the Company plans to open during 1995 or 1996. The Company's leases generally have an initial term of 10 to 25 years, with renewal terms of 5 to 20 years, and provide for a fixed rental plus, in certain instances, percentage rentals based on gross sales.

The Company owns an 80,000 square foot office building in which its corporate offices are headquartered in Overland Park, Kansas, located in the metropolitan Kansas City area. Approximately 40% of the building is currently leased to third parties until such time as the Company may need additional office space. The Company also leases office space in certain of the regions in which it operates restaurants.

GOVERNMENT REGULATION

The Company's restaurants are subject to numerous federal, state, and local laws affecting health, sanitation and safety standards, as well as to state and local licensing regulation of the sale of alcoholic beverages. Each restaurant requires appropriate licenses from regulatory authorities allowing it to sell liquor, beer, and wine, and each restaurant requires food service licenses from local health authorities. The Company's licenses to sell alcoholic beverages must be renewed annually and may be suspended or revoked at any time for cause, including violation by the Company or its employees of any law or regulation pertaining to alcoholic beverage control, such as those regulating the minimum age of patrons or employees, advertising, wholesale purchasing, and inventory control. The failure of a restaurant to obtain or retain liquor or food service licenses could have a material adverse effect on its operations. In order to reduce this risk, each restaurant is operated in accordance with standardized procedures designed to assure compliance with all applicable codes and regulations.

The Company is subject to a variety of federal and state laws governing franchise sales and the franchise relationship. In general, these laws and regulations impose certain disclosure and registration requirements prior to the sale and marketing of franchises. Recent decisions of several state and federal courts and recently enacted or proposed federal and state laws demonstrate a trend toward increased protection of the rights and interests of franchisees against franchisors. Such decisions and laws may limit the ability of franchisors to enforce certain provisions of franchise agreements or to alter or terminate franchise agreements. Due to the scope of the Company's business and the complexity of franchise regulations, minor compliance problems may be encountered in the future; however, the Company does not believe any such compliance problems will have a material adverse effect on its business.

Under certain court decisions and statutes, owners of restaurants and bars in some states in which the Company owns or operates restaurants may be held liable for serving alcohol to intoxicated customers whose subsequent conduct results in injury or death to a third party, and no assurance can be given that the Company will not be subject to such liability. The Company believes its insurance presently provides adequate coverage for such liability.

MANAGEMENT

The directors and executive officers of the Company are as follows:

NAME	AGE	POSITION
Abe J. Gustin, Jr.	60	Chairman of the Board of Directors and Chief Executive Officer
Lloyd L. Hill	51	President, Chief Operating Officer, and Director
Ronald B. Reck	46	Executive Vice President and Chief Administrative Officer
Burton M. Sack	57	Executive Vice President and Director
George D. Shadid	41	Executive Vice President and Chief Financial Officer
Robert A. Martin	64	Senior Vice President of Marketing and Director
Stuart F. Waggoner	49	Senior Vice President of Operations
D. Patrick Curran	51	Director
Eric L. Hansen	46	Director
Jack P. Helms	42	Director
Kenneth D. Hill	61	Director
Johyne H. Reck	46	Director
Raymond D. Schoenbaum	49	Director

Abe J. Gustin, Jr. has been a director of the Company since September 1983 when the Company was formed. He served as Chairman of the Board of Directors of the Company from September 1983 until January 1988 and was again elected as Chairman in September 1992. He was Vice President from November 1987 to January 1988, and from January 1988 until December 1994, he served as President of the Company. Mr. Gustin continues to serve as Chief Executive Officer of the Company. From 1983 to 1990, he also served as Chairman of Juneau Holding Co., a Kansas City, Missouri-based franchisee which operated Taco Bell restaurants. Mr. Gustin has over 15 years of experience in the restaurant industry. Mr. Gustin has an employment agreement with the Company that expires in December 1995.

Lloyd L. Hill was elected a director of the Company in August 1989 and was appointed Executive Vice President and Chief Operating Officer of the Company in January 1994. In December 1994, he assumed the role of President in addition to his role as Chief Operating Officer. From 1980 to 1994, he served as President and a director of Kimberly Quality Care, a home health care and nurse personnel staffing company. Mr. Lloyd Hill and Mr. Kenneth Hill are not related. Mr. Hill has an employment agreement with the Company that automatically renews for successive one-year terms unless otherwise terminated as provided in the agreement.

Ronald B. Reck was employed by the Company in March 1991. He served as Executive Vice President of Human Resources and Training until January 1993 when he was named Executive Vice President and Chief Administrative Officer. From 1987 until March 1991, he was a self-employed consultant to the Company in the personnel, human resources and corporate development areas. During the period from 1984 through 1990, he was President of Aero-Mark Services, Inc., a temporary health care personnel leasing service company located in Kansas City, Missouri. Mr. Reck's employment agreement with the Company expires on December 31, 1995, and he has indicated he will be leaving the Company in early 1996. Mr. Reck is the husband of Johyne Reck, a director of the Company.

Burton M. Sack was elected a director and appointed an Executive Vice President of the Company effective October 24, 1994. Mr. Sack was the principal shareholder, a director and the president of Pub Ventures of New England, Inc., a former franchisee of the Company which was acquired by the Company in October 1994. Mr. Sack is on the board of advisors of Restaurant Associates, Inc. Mr. Sack has an employment agreement with the Company that expires in October 1995.

George D. Shadid was employed by the Company in August 1992, and served as Senior Vice President and Chief Financial Officer until January 1994 when he was promoted to Executive Vice President and Chief Financial Officer. From 1985 to 1987, he served as Corporate Controller of Gilbert/Robinson, Inc., at which time he was promoted to Vice President, and in 1988 assumed the position of Vice President and Chief Financial Officer, which he held until joining the Company. In November 1991, Gilbert/Robinson, Inc. filed a petition for bankruptcy, which was discharged in December 1992. From 1976 until 1985, Mr. Shadid was employed by Deloitte & Touche LLP. Mr. Shadid has an employment agreement with the Company that expires in December 1996.

Robert A. Martin was elected a director of the Company in August 1989. In April 1991, he became Vice President of Marketing, and in January 1994, he was promoted to Senior Vice President of Marketing. From January 1990 to April 1991, he served as President of Kayemar Enterprises, a Kansas City-based marketing consulting firm. From 1983 to January 1990, he served as the President, Chief Operating Officer and a director of Juneau Holding Co., of which Mr. Gustin, Chief Executive Officer of the Company, was Chairman. From July 1977 to June 1981, he served as President of United Vintners Winery and prior to that time was employed for 25 years by Schlitz Brewing Company, most recently in the position of Senior Vice President of Sales and Marketing. Mr. Martin has more than 12 years of experience in the restaurant industry.

Stuart F. Waggoner has been an employee of the Company since December 1988 and served as the Executive Director of Franchise Operations until March 1991, when he became Vice President of Franchise Operations. In December 1994, Mr. Waggoner assumed the newly created position of Senior Vice President of Operations, with overall responsibility for franchise and Company owned Applebee's restaurant operations and international development. From October 1987 to December 1988, Mr. Waggoner was Vice President of Operations for Eateries', Inc., a restaurant company based in Oklahoma City, Oklahoma. From 1985 to July 1987, Mr. Waggoner was President of Pendleton's Bar & Grill in Dallas, Texas. From October 1974 to March 1985, Mr. Waggoner was Vice President of Restaurant Administration for TGI Friday's, Inc., in Dallas, Texas. Mr. Waggoner has more than 25 years of restaurant experience.

D. Patrick Curran became a director of the Company in November 1992. He has served as Chief Executive Officer of the Curran Companies, a specialty chemical company, in North Kansas City, Missouri since August 1979. Mr. Curran serves as a member of the Board of Directors of Sealright Co., Inc., Unitog Company, and American Safety Razor Company, all of which are publicly traded corporations.

Eric L. Hansen was elected a director of the Company in January 1991. He is presently a shareholder in the Kansas City law firm of Holman, McCollum and Hansen, P.C., a professional association. From September 1984 to December 1990, he served as a tax partner at Deloitte & Touche LLP, and from September 1974 to September 1984, he was a certified public accountant with Deloitte & Touche LLP.

Jack P. Helms became a director of the Company in March 1994. He is presently President, CEO and a member of the Board of Directors in the investment banking firm of Goldsmith, Agio, Helms and Company in Minneapolis, Minnesota. Mr. Helms also serves as a member of the Board of Directors for HPG International, Inc. From May 1978 to January 1986, Mr. Helms was a lawyer in the law firm of Fredrikson & Byron, P.A. in Minneapolis, Minnesota.

Kenneth D. Hill became a director of the Company in November 1992. He was employed by the Company in April 1991, serving as Executive Vice President and Chief Operating Officer until January 1994, when he was named President of International Development. Effective February 28, 1995, Mr. Hill resigned as an employee and officer of the Company and is currently a consultant to the Company. From May 1990 to March 1991 he was President and Chief Executive Officer of Creative Restaurant Management. In March 1992, Creative Restaurant Management filed a petition for bankruptcy, and the bankruptcy proceeding has not yet been discharged. Mr. Hill served as President and Chief Executive Officer of T.J. Cinnamons, Ltd., a gourmet bakery concept, from 1985 to 1990. He was President of Gilbert/Robinson, Inc. from 1973 to 1985. Mr. Hill has over 38 years of restaurant industry experience and is an honorary director of the National Restaurant Association.

Johyne H. Reck was elected a director of the Company in May 1985. Ms. Reck currently serves as a consultant to the Company. She previously served as Secretary from May 1985 to January 1990, as Treasurer from May 1985 to December 1989, and as an Executive Vice President from March 1988 until April 1991. From March 1983 to 1991, she served as a director and President of Corner and Main Advertising, Inc., an advertising agency which she owned. Ms. Reck is the wife of Ronald B. Reck, Executive Vice President and Chief Administrative Officer of the Company.

Raymond D. Schoenbaum was elected a director of the Company effective March 24, 1995 and serves as a consultant to the Company. He was the founder, majority shareholder, and chairman of the board of directors of Innovative Restaurant Concepts, Inc., operator of the Rio Bravo Cantina restaurant concept, prior to its acquisition by the Company in March 1995. Mr. Schoenbaum served as Vice Chairman of Restaurant Systems, Inc., a franchisee of Wendy's International, Inc., from 1974 until 1986 and was a Shoney's franchisee from 1971 until 1974.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information, as of June 25, 1995, regarding the beneficial ownership of Common Stock by (i) each director and executive officer, (ii) all executive officers and directors of the Company as a group, (iii) each person known by the Company to own beneficially more than 5% of the outstanding shares of Common Stock, and (iv) each Selling Stockholder. Unless otherwise indicated, each of the stockholders has sole voting and investment power with respect to the shares beneficially owned.

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	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING(1)		SHARES BEING OFFERED	SHARES BENEFICIALLY OWNED AFTER OFFERING	
	NUMBER	PERCENT(%)		NUMBER	PERCENT(%)
<S>	<C>	<C>	<C>	<C>	<C>
Burton M. Sack(2)...........	2,203,000	7.8	100,000	2,103,000	6.9
Abe J. Gustin, Jr.(3)........	1,582,000	5.6	--	1,582,000	5.2
Raymond D. Schoenbaum(4).....	1,556,759	5.5	--	1,556,759	5.1
Ronald B. Reck(3)...........	575,940	2.0	--	575,940	1.9
Lloyd L. Hill(3)............	119,000	*	--	119,000	*
Johyne H. Reck(3)...........	80,500	*	--	80,500	*
Robert A. Martin(3).........	76,000	*	--	76,000	*
Kenneth D. Hill(3)..........	74,000	*	--	74,000	*
Stuart F. Waggoner(3).......	71,450	*	--	71,450	*
George D. Shadid(3).........	70,101	*	--	70,101	*
D. Patrick Curran(3)........	41,000	*	--	41,000	*
Eric L. Hansen(3)...........	32,350	*	--	32,350	*
Jack P. Helms(3)............	19,500	*	--	19,500	*
All executive officers and directors as a group (13 persons)(3)............	6,501,600	22.4	100,000	6,401,600	20.5
Massachusetts Financial Services Company(5).........	2,532,200	8.9	--	2,532,200	8.3

500 Boylston Street Boston, MA 02116					
Putnam Investments, Inc.(5)..	2,300,782	8.1	--	2,300,782	7.6
One Post Office Square Boston, MA 02109					
Richard J. Ferris(6).........	955,000	3.4	200,000	755,000	2.5
1436 Ridge Road Northbrook, IL 60062					

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*Amounts are less than one percent.

(1) The mailing address for each person is 4551 W. 107th Street, Suite 100, Overland Park, Kansas 66207, unless otherwise shown.

(2) Includes shares held of record by family trusts and a family partnership of which Mr. Sack may be deemed the beneficial owner.

(3) Includes certain shares subject to options exercisable as of June 25, 1995, or within 60 days thereafter: 82,000 shares for Mr. Gustin, 99,500 shares for Mr. Reck, 119,000 shares for Lloyd L. Hill, 80,500 shares for Ms. Reck, 59,000 shares for Mr. Martin, 73,500 shares for Kenneth D. Hill, 63,500 shares for Mr. Waggoner, 70,101 shares for Mr. Shadid, 36,000 shares for Mr. Curran, 27,000 shares for Mr. Hansen, 18,000 shares for Mr. Helms, and 728,101 shares for all executive officers and directors as a group.

(4) Includes 114,826 shares held in escrow resulting from the recent merger of the Company with Innovative Restaurant Concepts, Inc. and its affiliates.

(5) Based on information contained on Schedule 13G for the year ended December 31, 1994.

(6) Includes shares held of record by a family partnership of which Mr. Ferris may be deemed the beneficial owner.

Mr. Gustin is a party to a voting agreement that binds Mr. Reck, pursuant to which they have agreed to vote all voting securities of the Company held by them at any time (i) to maintain the size of the Board of Directors at ten members unless otherwise mutually agreed, (ii) to vote for the election of Mr. Gustin and Ms. Reck as directors of the Company at each election of directors, (iii) to vote against the removal of Mr. Gustin and Ms. Reck as directors of the Company, and (iv) to vote their shares so that the Board of Directors has at least two independent directors at all times. In addition, in the event of the death of any of the parties, the voting agreement contains provisions relating to voting for the election of a successor director of the deceased party. The voting agreement terminates upon the death of any two of the parties. The voting agreement terminates in 1999, and does not apply to any voting securities transferred to a third party in a public transaction.

Mr. Ferris and Mr. Sack were owners of PVNE, which merged with and into the Company in a transaction completed in October 1994. Mr. Sack became a Director and an Executive Vice President of the Company, and entered into a one-year employment contract with the Company. Mr. Ferris, Mr. Sack and certain related entities were granted the right to participate in offerings of the Company's Common Stock, subject to certain restrictions, and to demand registration of up to 825,000 shares of Common Stock issued to them in the merger. These stockholders have exercised their demand registration rights, and, as a result, the Company has caused a registration statement on Form S-3 (the "Selling Stockholder Registration Statement") to become and remain effective for 824,000 shares held by these stockholders. The Selling Stockholders' demand registration rights were amended to allow the sale of 1,200,000 shares, less any shares sold in this offering and shares previously sold under the Selling Stockholder Registration Statement. Accordingly, subsequent to this offering, 716,500 shares will be available for sale under the Selling Stockholder Registration Statement. Mr. Ferris has agreed to refrain from making sales pursuant to the Selling Stockholder Registration Statement or otherwise until the earlier of 45 days after the consummation of this offering or October 31, 1995. Mr. Sack, as a director of the Company, will have a 90 day lock-up period. See "Underwriting." The Company has agreed to maintain the effectiveness of the Selling Stockholder Registration Statement until 105 days after the expiration of Mr. Ferris' lock-up period, which will permit the Selling Stockholders to sell the remaining 716,500 shares upon expiration of their respective lock-up periods.

UNDERWRITING

The Company and the Selling Stockholders have entered into a Purchase Agreement (the "Purchase Agreement") with the underwriters listed in the table below (the "Underwriters"). Subject to the terms and conditions set forth in the Purchase Agreement, the Company and the Selling Stockholders have agreed to sell to the Underwriters, and each of the Underwriters has severally agreed to purchase, the number of shares of Common Stock set forth opposite each Underwriter's name in the table below.

UNDERWRITERS	NUMBER OF SHARES
Piper Jaffray Inc.	800,000
Dillon, Read & Co. Inc.	800,000
Montgomery Securities	800,000
Total	2,400,000

Subject to the terms and conditions of the Purchase Agreement, the Underwriters have agreed to purchase all of the Common Stock being sold pursuant to the Purchase Agreement if any is purchased (excluding shares covered by the over-allotment option granted therein). In the event of a default by any Underwriter, the Purchase Agreement provides that, in certain circumstances, purchase commitments of the nondefaulting Underwriters may be increased or decreased or the Purchase Agreement may be terminated.

The Underwriters have advised the Company and the Selling Stockholders that they propose to offer the Common Stock directly to the public initially at the public offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession of not more than $0.72 per share. Additionally, the Underwriters may allow, and such dealers may reallow, a concession not in excess of $0.10 per share to certain other dealers. After the public offering, the public offering price and other selling terms may be changed by the Underwriters.

In connection with this offering, certain Underwriters may engage in passive market making transactions in the Common Stock on The Nasdaq Stock Market immediately prior to the commencement of sales in this offering, in accordance with Rule 10b-6A under the Securities Exchange Act of 1934. Passive market making consists of displaying bids on The Nasdaq Stock Market limited by the bid prices of independent market makers and purchases limited by such prices and effected in response to order flow. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker's average daily trading volume in the Common Stock during a specified prior period and must be discontinued when such limit is reached. Passive market making may stabilize the market price of the Common Stock at a level above that which might otherwise prevail and, if commenced, may be discontinued at any time.

The Company and the Selling Stockholders have granted to the Underwriters an option, exercisable by the Underwriters within 30 days after the date of the Purchase Agreement, to purchase up to an additional 360,000 shares of Common Stock at the same price per share to be paid by the Underwriters for the other shares offered hereby. If the Underwriters purchase any of such additional shares pursuant to this option, each Underwriter will be committed to purchase such additional shares in approximately the same proportion as set forth in the table above. The Underwriters may exercise the option only for the purpose of covering over-allotments, if any, made in connection with the distribution of the Common Stock offered hereby.

The Company, its executive officers, directors, and certain other officers have agreed that they will not sell, offer to sell, issue, distribute or otherwise dispose of any shares of Common Stock for a period of 90 days after the date of this Prospectus without the prior written consent of the Underwriters, except that the Company may issue shares pursuant to the over-allotment option. Richard J. Ferris, one of the Selling Stockholders, has agreed that he will not sell, offer to sell, issue, distribute or otherwise dispose of any shares of Common Stock until the earlier of 45 days after the consummation of this offering or October 31, 1995. See "Principal and Selling Stockholders."

The Company and the Selling Stockholders have agreed to indemnify the Underwriters and their controlling persons against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Underwriters may be required to make in respect thereof.

EXPERTS

The consolidated financial statements of Applebee's International, Inc. and subsidiaries (the "Company"), except for Pub Ventures of New England, Inc. ("PVNE") for the fiscal years ended December 31, 1993 and 1992 and Innovative Restaurant Concepts, Inc. and subsidiaries, Cobb/Gwinnett Rio, Ltd., Rio Real Estate, L.P. and CG Restaurant Partners, Ltd. ("IRC"), included and incorporated by reference in this Prospectus have been audited by Deloitte & Touche LLP, as stated in their report appearing and incorporated by reference herein. The financial statements of PVNE for the year ended December 31, 1993 (consolidated with those of the Company) have been audited by Coopers & Lybrand L.L.P., and the financial statements of PVNE for the year ended December 31, 1992 (consolidated with those of the Company) have been audited by Kennedy & Lehan, P.C., as stated in their reports included and incorporated by reference herein. The combined financial statements of IRC as of December 25, 1994 and December 26, 1993 and for each of the three years in the period ended December 25, 1994 (consolidated with those of the Company and incorporated by reference herein) have been audited by Arthur Andersen LLP, as stated in their report included and incorporated by reference herein. Such financial statements of the Company (which include PVNE for the fiscal years ended December 31, 1993 and 1992 and IRC for the fiscal years ended December 25, 1994, December 26, 1993 and December 27, 1992), and such separate combined financial statements of IRC are included or incorporated by reference herein in reliance upon the respective reports of such firms given upon their authority as experts in accounting and auditing. All of the foregoing are independent auditors.

LEGAL OPINION

The validity of the Common Stock offered hereby will be passed upon for the Company by Robert T. Steinkamp, counsel to the Company. Certain legal matters in connection with this offering will be passed upon for the Underwriters by Faegre & Benson Professional Limited Liability Partnership, Minneapolis, Minnesota and for the Company by Blackwell Sanders Matheny Weary & Lombardi L.C., Kansas City, Missouri.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, files periodic reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Regional Offices of the Commission located at Seven World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can also be obtained from the Commission at prescribed rates by addressing written requests for such copies to the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Such reports, proxy statements and other information can also be inspected at the offices of the National Association of Securities Dealers, Inc., 1735 K Street, Washington, D.C. 20006.

The Company has filed with the Commission a registration statement on Form S-3 (the "Registration Statement") under the Securities Act of 1933, as amended, with respect to the Common Stock being offered in this Prospectus. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement and in the exhibits and schedules thereto to which reference is hereby made. For further information regarding the Company and the Common Stock, reference is hereby made to the Registration Statement and to the exhibits and schedules filed as a part thereof. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is hereby made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference. The Registration Statement and the exhibits thereto may be inspected without charge at the office of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and copies thereof may be obtained from the Commission at prescribed rates.

INCORPORATION BY REFERENCE

The following documents which have been filed with the Commission by the Company are hereby incorporated by reference in this Prospectus:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 25, 1994 (except for the consolidated financial statements which have been superseded by the consolidated financial statements included in the Company's Current Report on Form 8-K dated May 15, 1995 and in the Registration Statement).

2. The Company's Quarterly Report on Form 10-Q for the quarter ended March 26, 1995.

3. The Company's Current Reports on Form 8-K dated December 8, 1994, March 1, 1995, March 23, 1995, and May 15, 1995.

4. The description of the Company's Common Stock contained in the Company's Registration Statement on Form 8-A effective September 27, 1989.

5. The description of the Company's Rights to purchase Series A Participating Cumulative Preferred Stock contained in the Company's Registration Statement on Form 8-A dated September 12, 1994.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offering of the shares offered hereby shall be deemed to be incorporated by reference in this Prospectus and to be made a part hereof from the date of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom a copy of this Prospectus is delivered, upon the written or oral request of any such person, a copy of any or all of the documents incorporated herein by reference, other than exhibits to such documents. Such requests should be directed to the Company, 4551 West 107th Street, Suite 100, Overland Park, Kansas 66207, Attention: Robert T. Steinkamp, Secretary, telephone (913) 967-4000.

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INDEPENDENT AUDITORS' REPORT

Applebee's International, Inc.:

We have audited the accompanying consolidated balance sheets of Applebee's International, Inc. and subsidiaries (the "Company") as of December 25, 1994 and December 26, 1993 and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three fiscal years in the period ended December 25, 1994. The consolidated financial statements give effect to the merger on March 23, 1995 of a wholly-owned subsidiary of Applebee's International, Inc. with and into Innovative Restaurant Concepts, Inc., which has been accounted for using the pooling of interests method as described in Note 4 to the consolidated financial statements. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Pub Ventures of New England, Inc. for the fiscal years ended December 31, 1993 and 1992, which financial statements reflect total assets constituting approximately 7% of the related consolidated financial statement total for 1993 and which reflect total operating revenues constituting approximately 15% and 17% of the related consolidated financial statement totals for the fiscal years ended December 26, 1993 and December 27, 1992, respectively. We also did not audit the combined financial statements of Innovative Restaurant Concepts, Inc., which financial statements reflect total assets constituting approximately 16% and 18% of the related consolidated financial statement totals for 1994 and 1993, respectively, and which reflect total operating revenues constituting approximately 20%, 22% and 29% of the related consolidated financial statement totals for each of the fiscal years ended December 25, 1994, December 26, 1993 and December 27, 1992, respectively. The financial statements of Pub Ventures of New England, Inc. and the combined financial statements of Innovative Restaurant Concepts, Inc. and subsidiaries, Cobb/Gwinnett Rio, Ltd., Rio Real Estate, L.P., and CG Restaurant Partners, Ltd. (collectively referred to as "IRC") were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts indicated for Pub Ventures of New England, Inc. and IRC in the consolidated financial statements, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the aforementioned reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Applebee's International, Inc. and subsidiaries at December 25, 1994 and December 26, 1993, and the consolidated results of their operations and cash flows for each of the three fiscal years in the period ended December 25, 1994 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Kansas City, Missouri
May 15, 1995

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of
Innovative Restaurant Concepts, Inc. and
the Partners of Cobb/Gwinnett Rio, Ltd.,
Rio Real Estate, L.P., and
CG Restaurant Partners, Ltd.:

We have audited the accompanying combined balance sheets of INNOVATIVE RESTAURANT CONCEPTS, INC. (a Georgia corporation) AND SUBSIDIARIES, COBB/GWINNETT RIO, LTD. (a Georgia limited partnership), RIO REAL ESTATE, L.P. (a Georgia limited partnership), AND CG RESTAURANT PARTNERS, LTD. (a Georgia limited partnership) as of December 25, 1994 and December 26, 1993 and the related combined statements of operations, stockholders' equity and partners' capital, and cash flows for each of the three years in the period ended December 25, 1994. These financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innovative Restaurant Concepts, Inc. and subsidiaries, Cobb/Gwinnett Rio, Ltd., Rio Real Estate, L.P., and CG Restaurant Partners, Ltd., as of December 25, 1994 and December 26, 1993 and the results of their operations and their cash flows for each of the three years in the period ended December 25, 1994 in conformity with generally accepted accounting principles.

As discussed in Note 9 to the financial statements, the stockholders and partners of the Companies entered into an agreement on October 14, 1994 to exchange 100% of the outstanding common stock and partnership units of the Companies for common stock of an unrelated entity.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
March 22, 1995

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Pub Ventures of New England, Inc.:

We have audited the balance sheet of Pub Ventures of New England, Inc. as of December 31, 1993 and the related statements of income, retained earnings and cash flows for the year then ended (not presented separately herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pub Ventures of New England, Inc. as of December 31, 1993 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

COOPERS & LYBRAND

Boston, Massachusetts
January 29, 1994

INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors and Stockholders
Pub Ventures of New England, Inc.
Weston, Massachusetts

We have audited the balance sheet of Pub Ventures of New England, Inc. at December 31, 1992 and the related statements of income, retained earnings and cash flows for the year then ended (not presented separately herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pub Ventures of New England, Inc. at December 31, 1992 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

The Company changed its method of accounting for startup costs during the year ended December 31, 1992.

KENNEDY & LEHAN

Quincy, Massachusetts

January 28, 1993

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

ASSETS

<TABLE>
<CAPTION>

<S>	DECEMBER 25, 1994 <C>	DECEMBER 26, 1993 <C>
Current assets:		
Cash and cash equivalents	$ 9,634	$ 8,054
Short-term investments, at market value in 1994 and amortized cost in 1993 (amortized cost of $9,046 in 1994 and market value of $11,178 in 1993)	8,893	10,557
Receivables (less allowance for bad debts of $740 in 1994 and $322 in 1993)	7,396	6,295
Inventories	5,159	2,280
Prepaid and other current assets	2,887	1,671
Total current assets	33,969	28,857
Property and equipment, net	114,729	77,260
Goodwill, net	21,113	22,403
Franchise interest and rights, net	6,401	7,009
Other assets	3,802	3,151
	$180,014	$138,680

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Demand note and current portion of notes payable	$ 3,505	$ 1,934
Current portion of obligations under noncompetition and consulting agreement	220	244
Accounts payable	10,750	9,457
Accrued expenses and other current liabilities	16,713	11,444
Accrued dividends	1,269	879
Accrued income taxes	1,169	2,365
Total current liabilities	33,626	26,323
Non-current liabilities:		
Notes payable--less current portion	34,312	16,787
Franchise deposits	1,355	1,263
Obligations under noncompetition and consulting agreement--less current portion	660	880
Deferred income taxes	715	258
Total non-current liabilities	37,042	19,188
Total liabilities	70,668	45,511
Minority interest in joint venture	558	489
Commitments and contingencies (Notes 6, 7 and 11)		
Stockholders' equity:		
Preferred stock--par value $0.01 per share: authorized--1,000,000 shares; no shares issued	--	--
Common stock--par value $0.01 per share: authorized--125,000,000 shares as adjusted; issued--28,295,479 shares in 1994 and 28,185,720 shares in 1993	283	282
Additional paid-in capital	78,675	73,397
Retained earnings	30,775	19,850
Unrealized loss on short-term investments, net of income taxes	(96)	--

	109,637	93,529
Treasury stock--281,772 shares in 1994 and 1993, at cost	(849)	(849)
Total stockholders' equity	108,788	92,680
	$180,014	$138,680

</TABLE>

See notes to consolidated financial statements.

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED		
	DECEMBER 25, 1994	DECEMBER 26, 1993	DECEMBER 27, 1992
<S>	<C>	<C>	<C>
Revenues:			
Company restaurant sales	$222,445	$159,482	$85,459
Franchise income	31,419	21,324	14,319
Total operating revenues	253,864	180,806	99,778
Cost of Company restaurant sales:			
Food and beverage	64,819	46,757	26,028
Labor	70,777	50,950	27,663
Direct and occupancy	53,883	37,283	20,489
Pre-opening expense	2,093	1,588	768
Total cost of Company restaurant sales	191,572	136,578	74,948
General and administrative expenses	29,167	22,526	14,573
Merger costs	920	--	--
Amortization of intangible assets	2,033	1,934	1,031
Loss on disposition of restaurants and equipment	861	91	--
Operating earnings	29,311	19,677	9,226
Other income (expense):			
Investment income	1,065	1,675	1,623
Interest expense	(2,029)	(1,075)	(599)
Other income (expense)	253	179	33
Total other income (expense)	(711)	779	1,057
Earnings before income taxes	28,600	20,456	10,283
Income taxes	9,453	6,693	3,472
Net earnings	19,147	13,763	6,811
Pro forma provision for income taxes of pooled companies	1,324	1,212	476
Pro forma net earnings	$ 17,823	$ 12,551	$ 6,335
Pro forma net earnings per common share	$ 0.64	$ 0.46	$ 0.26
Weighted average shares outstanding	27,970	27,543	24,755

</TABLE>

See notes to consolidated financial statements.

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	UNREALIZED LOSS ON SHORT-TERM INVESTMENTS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 29, 1991..................	6,682,114	$ 67	$28,440	$ 3,074	$--	$(849)	$ 30,732
Issuance of common stock from public offering................	2,085,000	21	29,322	--	--	--	29,343
Dividends on common stock, at a rate of $0.03 per share.......	--	--	--	(613)	--	--	(613)
Stock options exercised................	110,361	1	1,174	--	--	--	1,175
Income tax benefit upon exercise of stock options................	--	--	365	--	--	--	365
Transactions of pooled companies prior to acquisition, net......	--	--	1,490	(742)	--	--	748
Pro forma provision for income taxes of pooled companies............	--	--	--	476	--	--	476
Pro forma net earnings.	--	--	--	6,335	--	--	6,335
Balance, December 27, 1992..................	8,877,475	89	60,791	8,530	--	(849)	68,561
Effect of stock splits.	17,754,950	187	--	(187)	--	--	--
Issuance of common stock in connection with acquisition of restaurants..........	1,276,596	4	9,996	--	--	--	10,000
Dividends on common stock, at a rate of $0.04 per share.......	--	--	--	(879)	--	--	(879)
Stock options exercised................	276,699	2	1,230	--	--	--	1,232
Income tax benefit upon exercise of stock options................	--	--	801	--	--	--	801
Transactions of pooled companies prior to acquisition, net......	--	--	579	(1,377)	--	--	(798)
Pro forma provision for income taxes of pooled companies............	--	--	--	1,212	--	--	1,212
Pro forma net earnings.	--	--	--	12,551	--	--	12,551
Balance, December 26, 1993..................	28,185,720	282	73,397	19,850	--	(849)	92,680
Dividends on common stock, at a rate of $0.05 per share.......	--	--	--	(1,269)	--	--	(1,269)
Stock options exercised................	109,759	1	661	--	--	--	662
Income tax benefit upon exercise of stock op-							

tions.................	--	--	215	--	--	--	215
Unrealized loss on short-term investments, net of income taxes.................	--	--	--	--	(96)	--	(96)
Transactions of pooled companies prior to acquisition, net......	--	--	4,402	(6,953)	--	--	(2,551)
Pro forma provision for income taxes of pooled companies............	--	--	--	1,324	--	--	1,324
Pro forma net earnings.	--	--	--	17,823	--	--	17,823
Balance, December 25, 1994..................	28,295,479	$283	$78,675	$30,775	$(96)	$(849)	$108,788

</TABLE>

See notes to consolidated financial statements.

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED		
	DECEMBER 25, 1994	DECEMBER 26, 1993	DECEMBER 27, 1992
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Pro forma net earnings..........................	$ 17,823	$ 12,551	$ 6,335
Adjustments to reconcile pro forma net earnings to net cash provided by operating activities:			
Depreciation and amortization.................	8,997	6,159	3,738
Amortization of intangible assets............	2,033	1,934	1,031
Gain on sale of investments..................	(112)	(312)	--
Deferred income tax provision (benefit).......	100	(271)	71
Loss on disposition of restaurants and equipment..	661	91	115
Pro forma provision for income taxes of pooled companies..................................	1,324	1,212	476
Changes in assets and liabilities (exclusive of effects of acquisitions other than pooled companies):			
Receivables.................................	(1,101)	(1,699)	(2,230)
Inventories.................................	(2,879)	(1,008)	(160)
Prepaid and other current assets.............	(802)	(509)	(452)
Assets held for resale.......................	--	725	(725)
Accounts payable............................	1,293	5,068	1,716
Accrued expenses and other current liabilities......................................	5,269	4,268	1,242
Accrued income taxes.........................	(672)	1,631	(392)
Franchise deposits..........................	92	189	471
Other.......................................	(1,198)	(2,325)	381
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	30,828	27,704	11,617
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of short-term investments............	(8,306)	(4,961)	(33,685)
Maturities and sales of short-term investments..	9,942	25,575	21,035
Purchases of marketable securities.............	--	(499)	(14,836)
Maturities and sales of marketable securities...	--	5,142	--
Purchases of property and equipment............	(45,419)	(45,664)	(13,156)
Acquisitions of restaurants....................	(3,315)	(12,800)	--

Investment in joint venture interest	--	--	(1,295)
Proceeds from sale of restaurants and equipment	1,474	3,078	--
NET CASH USED BY INVESTING ACTIVITIES	(45,624)	(30,129)	(41,937)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock from public offering	--	--	29,343
Dividends paid	(879)	(613)	(276)
Cash transactions of pooled companies prior to acquisition, net	(2,543)	(1,018)	(517)
Issuance of common stock upon exercise of stock options	662	1,232	1,175
Income tax benefit upon exercise of stock options	215	801	365
Proceeds from issuance of notes payable	27,116	13,709	6,696
Payments on notes payable	(8,020)	(7,675)	(5,321)
Payments under noncompetition and consulting agreement	(244)	--	--
Minority interest in net earnings of joint venture	69	54	11
NET CASH PROVIDED BY FINANCING ACTIVITIES	16,376	6,490	31,476
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,580	4,065	1,156
CASH AND CASH EQUIVALENTS, beginning of period	8,054	3,989	2,833
CASH AND CASH EQUIVALENTS, end of period	$ 9,634	$ 8,054	$ 3,989
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Income taxes	$ 9,806	$ 5,114	$ 3,501
Interest	$ 1,927	$ 849	$ 598

</TABLE>

See notes to consolidated financial statements.

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS--(CONTINUED)

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:

In connection with IRC's acquisition of an unrelated restaurant company during 1992, a pooled company issued common stock having a fair value of approximately $1,265,000.

In connection with the acquisition of 14 restaurants during 1993, the Company issued or assumed notes payable aggregating $2,463,000, entered into a noncompetition and consulting agreement in the amount of $1,124,000 and issued additional common stock aggregating $10,000,000 (see Note 4).

Marketable securities of $10,505,000 were reclassified to short-term investments during 1993.

A two-for-one stock split effected as a 100% stock dividend was declared and distributed during 1993 and a three-for-two stock split effected as a 50% stock dividend was declared in 1993 and distributed in January 1994, resulting in adjustments of $187,000 to common stock and retained earnings (see Note 12).

During 1993, the Company recorded additional goodwill and income tax liabilities of $1,000,000 resulting from changes in the purchase price allocations of previous business combinations. During 1994, this amount was reduced by $524,000 as a result of the IRS settlement (see Note 10).

DISCLOSURE OF ACCOUNTING POLICY:

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

See notes to consolidated financial statements.

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Applebee's International, Inc. (the "Company") develops, operates and franchises a national chain of casual dining restaurants under the name "Applebee's Neighborhood Grill & Bar." As of December 25, 1994, there were 505 Applebee's restaurants, of which 408 were operated by franchisees and 97 were owned or operated by the Company. Such restaurants were located in 43 states, one Canadian province, and the Caribbean island of Curacao. After giving retroactive effect to the merger with Innovative Restaurant Concepts, Inc. discussed in Note 4, the Company also operated 16 other restaurants, including 12 Rio Bravo Cantinas, as of December 25, 1994.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation: The consolidated financial statements have been prepared to give retroactive effect to the merger with Innovative Restaurant Concepts, Inc. ("IRC") on March 23, 1995 (see Note 4). Beginning in fiscal 1995, the cost of meals provided to employees and other complimentary meals have been classified as labor costs and direct and occupancy costs, respectively. Previously, the retail price of such meals was reflected in Company restaurant sales with corresponding amounts reflected as labor costs or direct and occupancy costs. The consolidated financial statements for all periods presented have been reclassified to conform to the presentation adopted in fiscal 1995, the effects of which were not material.

Principles of consolidation: The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and its controlled-interest joint venture. All material intercompany profits, transactions and balances have been eliminated.

Fiscal year: The Company's fiscal year ends on the last Sunday of the calendar year. The fiscal years ended December 25, 1994, December 26, 1993 and December 27, 1992 each contained 52 weeks, and are referred to hereafter as 1994, 1993 and 1992, respectively.

Short-term investments and marketable securities: Short-term investments and marketable securities are comprised of U.S. government and agency securities, certificates of deposit, state and municipal bonds and preferred stocks. Such securities are classified based upon the Company's intent and ability to hold these securities. Gains and losses from sales are determined using the specific identification method.

The Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," as of the beginning of its 1994 fiscal year, the cumulative effect of which was not material. Statement No. 115 addresses the accounting and reporting for certain investments in debt and equity securities by requiring such investments to be classified in hold-to-maturity, available-for-sale, or trading categories. In accordance with Statement No. 115, prior years' financial statements have not been restated to reflect the change in accounting method. At December 26, 1993, marketable securities were carried at the lower of amortized cost or aggregate market.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market.

Pre-opening costs: The Company expenses direct training and other costs related to opening new or relocated restaurants as incurred. IRC's method of accounting for pre-opening costs has been conformed with the Company's method of accounting for such costs in the consolidated financial statements.

Property and equipment: Property and equipment are stated at cost. Depreciation is provided primarily on a straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized

over the shorter of the estimated useful life or the lease term of the related asset. The general ranges of original depreciable lives are as follows:

	YEARS
Buildings..........................	20
Leasehold improvements.............	5-20
Furniture and equipment............	3-7

Goodwill: Goodwill represents the excess of cost over fair market value of net assets acquired by the Company. Goodwill is being amortized over periods ranging from 15 to 20 years on a straight-line basis. Accumulated amortization at December 25, 1994 and December 26, 1993 was $2,275,000 and $1,135,000, respectively.

Franchise interest and rights: Franchise interest and rights represent allocations of purchase price to either the purchased restaurants or franchise operations acquired. The allocated costs are amortized over the estimated life of the restaurants or the franchise agreements on a straight-line basis ranging from 7 to 20 years. Accumulated amortization at December 25, 1994 and December 26, 1993 was $4,549,000 and $3,927,000, respectively.

Franchise revenues: Franchise revenues are recognized in accordance with Statement of Financial Accounting Standards No. 45 which requires deferral until substantial performance of franchisor obligations is complete. Initial franchise fees, included in franchise income in the consolidated statements of earnings, totaled $3,753,000, $2,893,000 and $1,548,000 for 1994, 1993 and 1992, respectively.

Earnings per share: Earnings per share are computed based on the weighted average number of common shares outstanding. The shares issuable under the Employee Stock Option Plan (see Note 13) are excluded from the computations, because their dilutive effect is not material. All references to the number of shares and per share amounts have been restated to reflect all stock splits declared by the Company (see Note 12).

3. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," the following methods were used in estimating fair value disclosures for significant financial instruments of the Company. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments. The carrying amount of short-term investments is based on quoted market prices. The fair value of the Company's notes payable is estimated based on quotations made on similar issues.

The estimated fair values of the Company's financial instruments are as follows (in thousands):

	DECEMBER 25,	DECEMBER 26,

	1994		1993	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash equivalents	$ 9,634	$ 9,634	$ 8,054	$ 8,054
Short-term investments	$ 8,893	$ 8,893	$10,557	$10,557
Notes payable	$37,817	$36,567	$18,721	$18,721

4. ACQUISITIONS

IRC Merger: On March 23, 1995, a wholly-owned subsidiary of the Company merged with and into Innovative Restaurant Concepts, Inc. ("IRC"), referred to herein as the "IRC Merger". Immediately prior to the IRC Merger, IRC's affiliated limited partnerships, Cobb/Gwinnett Rio, Ltd., Rio Real Estate, L.P. and CG Restaurant Partners, Ltd., were liquidated, and contemporaneously with the IRC Merger, the Company acquired the interests of the limited partners in the distributed assets of these partnerships. As a result of the IRC Merger, IRC became a wholly-owned subsidiary of the Company. A total of approximately 2,630,000 shares of the Company's newly-issued common stock was issued to the shareholders and limited partners of IRC, including IRC shares issued in 1995 upon the exercise of IRC stock options prior to the IRC Merger. IRC employees also exchanged pre-existing stock options for options to purchase approximately 147,000 shares of the Company's common stock. Of such shares and options, 7.5% were placed in escrow to address potential adjustments during the escrow period that will end December 23, 1995. In addition, the Company assumed approximately $13,700,000 of IRC indebtedness, of which $1,270,000 was repaid at closing. At the time of the IRC Merger, IRC operated 17 restaurants, 13 of which were Rio Bravo Cantinas, a Mexican restaurant concept, and four were other specialty restaurants.

The IRC Merger was accounted for as a pooling of interests and accordingly, the accompanying consolidated financial statements have been restated to include the accounts and operations of the merged entities for all periods presented. All share amounts have been restated to reflect the total number of shares issued in the IRC Merger for all periods presented. Separate results of the two entities for the fiscal years ended December 25, 1994, December 26, 1993, and December 27, 1992 were as follows (amounts in thousands):

	COMPANY (INCLUDING PVNE)	IRC	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
1994:				
Net sales	$170,933	$51,512	$ --	$222,445
Net earnings	$ 15,780	$ 2,242	$(199)	$ 17,823
1993:				
Net sales	$118,868	$40,614	$ --	$159,482
Net earnings	$ 11,375	$ 1,222	$ (46)	$ 12,551
1992:				
Net sales	$ 56,993	$28,466	$ --	$ 85,459
Net earnings	$ 5,819	$ 612	$ (96)	$ 6,335

Adjustments have been made to eliminate the impact of intercompany balances and to record provisions for pro forma income taxes for certain affiliates of IRC. Merger costs of $1,770,000 relating to the IRC merger have been expensed in the first quarter of 1995. Merger costs include investment banking fees, legal and accounting fees, and other merger related expenses.

PVNE Merger: On October 24, 1994, a wholly-owned subsidiary of the Company merged with and into Pub Ventures of New England, Inc. ("PVNE"), referred to herein as the "PVNE Merger". As a result of the PVNE Merger, PVNE became a wholly-owned subsidiary of the Company. The shareholders of PVNE received an aggregate of 3,300,000 shares of the Company's newly-issued common stock. At the time of the PVNE Merger, PVNE operated 14 Applebee's restaurants, and several restaurant sites were under development. The PVNE Merger was accounted for as a pooling of interests. Merger costs of $920,000, which were expensed upon completion of the PVNE Merger in the fourth quarter of 1994, have been included in the Company's consolidated statement of earnings for 1994. Merger costs include investment banking fees, legal and accounting fees, and severance and benefits-related costs. The impact of these costs on pro forma net earnings per common share was approximately $0.03 in 1994.

Minnesota restaurant acquisition: Effective February 26, 1993, the Company entered into an agreement to acquire 14 franchise restaurants and certain restaurant sites under development in Minnesota, all of which were owned and operated by a franchisee through a limited partnership (the "Partnership"). The above transaction is referred to herein as the "Minnesota Acquisition."

While the transaction remained in escrow (February 27, 1993 through August 15, 1993), an affiliate of the Partnership managed the restaurants. Under this management arrangement, the Partnership paid management fees to its affiliate in an amount equal to 8% of the Partnership's net sales (as defined in the management agreement). For financial reporting purposes, the Minnesota Acquisition was determined to have occurred as of February 26, 1993, with the earnings of the acquired restaurants accruing to the Company since that date. The Minnesota Acquisition has been recorded under the purchase method of accounting and, accordingly, the 1993 financial statements reflect the Minnesota Acquisition, the related purchase accounting adjustments and the results of operations of the acquired restaurants subsequent to February 26, 1993. Management fees paid to the Partnership's affiliate totaling approximately $1,117,000 are included in "general and administrative expenses" in the accompanying statement of earnings for 1993.

The Minnesota Acquisition purchase price, including related transaction costs, aggregated $23,548,000, composed of (i) cash payments of $10,741,000, (ii) newly issued promissory notes totaling $1,664,000, (iii) a promissory note of the Partnership in the amount of $799,000, which has been assumed by the Company, and (iv) $10,000,000 of aggregate value of the Company's common stock (1,276,596 shares).

The Minnesota Acquisition purchase price has been allocated to the fair value of net assets acquired, and goodwill totaling $17,959,000 has been recorded in connection with the Acquisition and is being amortized over 20 years on a straight-line basis. The Minnesota Acquisition purchase price has been allocated in the financial statements as follows (in thousands):

Property and equipment	$ 6,491
Inventories	243
Deferred income taxes	(1,145)
Goodwill	17,959
Total	$23,548

The Company also entered into a noncompetition and consulting agreement with certain affiliates of the Partnership. This agreement provides for annual payments over a five year term aggregating $1,124,000, which have been recorded as an asset and liability in the consolidated balance sheet as of December 26, 1993. The asset, included in "other assets," is being amortized over a five-year period and the amortization is included in "amortization of intangible assets" in the consolidated statement of earnings for 1993.

The following summarized unaudited pro forma results of operations of the Company (in thousands, except per share amounts) for 1993 and 1992 assume the Minnesota Acquisition occurred as of the beginning of the respective periods. The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which would actually have resulted had the Minnesota Acquisition been effected as of the dates indicated, or which may result in the future.

	1993		1992	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
Company restaurant sales..........	$159,482	$164,322	$85,459	$109,997
Earnings before income taxes......	$ 20,456	$ 21,545	$10,283	$ 11,355
Pro forma net earnings............	$ 12,551	$ 13,147	$ 6,335	$ 6,597
Pro forma net earnings per common share...........................	$ 0.46	$ 0.47	$ 0.26	$ 0.25
Weighted average shares outstanding.............................	27,543	27,753	24,755	26,031

Other restaurant acquisitions: During 1992, IRC issued common stock in exchange for substantially all the operating assets and liabilities of an unrelated restaurant company. The aggregate purchase price, including associated costs and liabilities assumed of approximately $1,579,000, totaled approximately $2,868,000. This acquisition has been accounted for as a purchase, and accordingly, the acquired assets and liabilities have been recorded at their estimated fair values at the date of acquisition. The acquisition resulted in goodwill of approximately $1,799,000, which is being amortized on a straight-line basis over 20 years. The operating results of the acquired company are included in the statements of operations beginning on the date of acquisition.

During 1993, the Company acquired the operations of two franchise restaurants and the related leasehold improvements, furniture and fixtures and rights to future development of restaurants in the franchise territories. The Company also acquired the land and building related to one of the restaurants. The total purchase price, for financial reporting purposes, was approximately $1,903,000 (including cash payments to the seller of $1,800,000). The purchase price has been allocated to the fair value of net assets acquired, and resulted in an allocation to goodwill of approximately $612,000. The 1993 financial statements reflect the results of operations of such restaurants subsequent to the date of acquisition.

In addition, during 1994 the Company acquired the operations of two franchise restaurants and the related land, furniture and fixtures. The total purchase price was approximately $3,315,000 and has been allocated to the fair value of net assets acquired, and resulted in an allocation to goodwill of $515,000. The 1994 financial statements reflect the results of operations of such restaurants subsequent to the date of acquisition.

5. RECEIVABLES

Receivables are comprised of the following (in thousands):

	DECEMBER 25, 1994	DECEMBER 26, 1993

<S>	<C>	<C>
Franchise royalty, advertising and trade receivables	$5,598	$3,942
Franchise fee receivables	536	412
Credit card receivables	1,102	780
Interest and dividends receivable	143	277
Other	757	1,206
	8,136	6,617
Less allowance for bad debts	740	322
	$7,396	$6,295

</TABLE>

6. PROPERTY AND EQUIPMENT

Property and equipment, net is comprised of the following (in thousands):

<TABLE>
<CAPTION>

<S>	DECEMBER 25, 1994 <C>	DECEMBER 26, 1993 <C>
Land	$ 25,492	$17,592
Buildings	47,106	27,365
Leasehold improvements	18,629	15,910
Furniture and equipment	45,081	33,221
Construction in progress	5,763	2,918
	142,071	97,006
Less accumulated depreciation and amortization	27,342	19,746
	$114,729	$77,260

</TABLE>

The Company leases certain of its restaurants. All leases are accounted for as operating leases and certain leases provide for contingent rent based upon sales. Total rental expense for all operating leases is composed of the following (in thousands):

<TABLE>
<CAPTION>

<S>	1994 <C>	1993 <C>	1992 <C>
Minimum rent	$5,797	$5,339	$3,534
Contingent rent	1,532	1,139	586
	$7,329	$6,478	$4,120

</TABLE>

Future minimum lease payments under noncancelable leases (including leases executed for sites to be developed in 1995) as of December 25, 1994 are as follows (in thousands):

<TABLE>
<S> <C>

1995	$ 6,728
1996	6,825
1997	6,589
1998	6,160
1999	5,899
Thereafter	42,059
	74,260
Less minimum amounts receivable under noncancelable sublease	(487)
	$73,773

</TABLE>

7. NOTES PAYABLE

Notes payable are comprised of the following (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 25, 1994	DECEMBER 26, 1993
Unsecured notes payable; 7.70% interest per annum, with principal payments beginning in 1998; due May 2004	$20,000	$ --
Secured bank note; interest at the prime rate plus 0.75%; due in various monthly installments of principal and interest with a final balloon payment due December 1999	6,940	6,434
Secured bank note; interest at the prime rate; due in equal monthly installments of principal and interest through January 2000	2,662	3,195
Secured bank note; 6.69% interest per annum at December 25, 1994; due in quarterly installments of principal and interest through October 1998	2,400	3,000
Secured bank notes; interest ranging from the prime rate to the prime rate plus 0.50%; due in various monthly installments of principal and interest with balloon payments due in July 1997, December 1997 and May 1998	2,069	2,321
Secured revolving credit facility; interest at the prime rate; due on demand	584	36
Secured revolving credit facility; interest at the prime rate; due October 1995	800	476
Unsecured promissory notes issued in connection with the acquisition of restaurants; 8.00% interest per annum; due in annual installments of principal and interest through February 2000	2,180	2,463
Unsecured promissory note to stockholder; 8.00% interest per annum; due in equal monthly installments of principal and interest through October 1995	112	237
Unsecured promissory note to stockholder; 7.00% interest per annum	--	400
Other	70	159
Total	37,817	18,721
Less demand note and current portion of notes payable	3,505	1,934
Non-current portion of notes payable	$34,312	$16,787

</TABLE>

The prime rate at December 25, 1994 and December 26, 1993 was 8.5% and 6.0%, respectively.

During 1994, the Company completed a $20,000,000 senior unsecured private debt placement with institutional lenders unaffiliated with the Company. The notes bear interest at 7.70% annually with principal payments beginning in 1998 through 2004. The debt agreement contains various covenants and restrictions which, among other things, require the maintenance of a stipulated fixed charge coverage ratio and minimum consolidated net worth, as defined, and limit additional indebtedness in excess of specified amounts. The debt agreement also restricts the amount of retained earnings available for the payment of cash dividends. At December 25, 1994, $20,643,000 of retained earnings was available for the payment of cash dividends. The Company is currently in compliance with the covenants of this debt agreement.

The secured bank note of $6,940,000 as of December 25, 1994 contains various covenants and restrictions on the part of IRC which, among other things, require the maintenance of a stipulated ratio of cash flow to current maturities of long-term debt, total liabilities to net worth, and minimum net worth. As of December 25, 1994, IRC was in compliance with these covenants.

IRC has a line-of-credit agreement with a bank which provides for borrowings up to $700,000. This agreement expires December 31, 1999, and borrowings under this agreement bear interest at the prime rate

and are due on demand. Available borrowings under the line-of-credit were approximately $116,000 and $664,000 at December 25, 1994 and December 26, 1993, respectively.

During 1993, the Company used a portion of the proceeds of a $3,000,000, 6.69% term loan to extinguish debt under two installment notes which had a balance of approximately $2,331,000 at December 27, 1992. In addition, the Company obtained a $4,000,000 revolving credit facility with a bank which bears interest on the outstanding borrowings at prime or LIBOR plus 1.25% at the Company's option and requires the Company to pay a commitment fee of 3/8 of 1% on any unused portion of the facility. The debt agreement contains various covenants and restrictions which among other things, restrict additional indebtedness and require the maintenance of certain financial ratios and covenants.

The Company issued a $300,000, 7.00% note dated December 31, 1992 and a $600,000, 7.00% note dated July 6, 1993 payable to a stockholder. Both notes were paid in 1993. In addition, the Company had a $400,000 subordinated note payable to a stockholder outstanding at December 26, 1993 which was paid in 1994.

Maturities of notes payable for each of the five fiscal years subsequent to December 25, 1994, ending during the years indicated, are as follows (in thousands):

<TABLE>

<S>	<C>
1995 (including demand note of $584)............................	$3,505
1996..............................	1,973
1997..............................	2,775
1998..............................	5,210
1999..............................	9,652

</TABLE>

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities are comprised of the following (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 25, 1994	DECEMBER 26, 1993
Compensation and related taxes	$ 6,240	$ 4,459
Gift certificates	1,690	887
Sales and use taxes	1,631	1,283
Insurance	1,237	1,053
Rent	1,355	1,176
Advertising	97	509
Other	4,463	2,077
	$16,713	$11,444

</TABLE>

9. JOINT VENTURE

In October 1992, the Company entered into a joint venture arrangement with its franchisee in Nevada for three existing restaurants and one additional restaurant to be developed. In exchange for a 50% ownership and the rights to operate such restaurants, the Company contributed approximately $1,299,000 in cash to the joint venture. The transaction was recorded as a purchase for financial reporting purposes and, based on its control over operating policies of the joint venture, the Company has consolidated the joint venture from date of acquisition for financial statement purposes. The Company has an option to purchase the remaining 50% interest for $1,275,000, exercisable beginning in October 1995.

10. INCOME TAXES

The Company and its subsidiaries file a consolidated Federal income tax return. The Company adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" at the beginning of its 1993 fiscal year. Previously, the Company recorded income tax provisions using the deferred method. Statement No. 109 provides for the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been reported in the financial statements. The adoption of Statement No. 109 did not have a material impact on the Company's financial position or results of operations. In addition, income tax expense and deferred income taxes were adjusted during 1993 to reflect the impact of the Omnibus Budget Reconciliation Act of 1993, the effects of which were not material.

Prior to September 7, 1994, PVNE, a pooled company, was classified as an S Corporation and accordingly, stockholders were responsible for paying their proportionate share of federal and certain state income taxes. In addition, the combined earnings of IRC, a pooled company, included earnings of limited partnerships which were not taxable entities for federal and state income tax purposes. The accompanying consolidated statements of earnings reflect provisions for income taxes on a pro forma basis as if the Company were liable for federal and state income taxes on PVNE's earnings prior to September 7, 1994 and the earnings of IRC's limited partnerships at a statutory rate of 39% in 1994 and 1993 and 38% in 1992.

The income tax provision (benefit) consists of the following (in thousands):

<TABLE>
<CAPTION>

	1994	1993	1992
Current provision:			
Federal	$ 7,934	$5,810	$2,649

State	1,419	1,154	752
Deferred provision (benefit)	100	(271)	71
Pro forma provision for income taxes of pooled companies	1,324	1,212	476
Income taxes	$10,777	$7,905	$3,948

The deferred income tax provision (benefit) is comprised of the following (in thousands):

<CAPTION>

	1994	1993	1992
Franchise deposits	$ (36)	$ (74)	$ --
Depreciation	109	(4)	18
Allowance for bad debts	(163)	(39)	--
Accrued expenses	(99)	(128)	(118)
Other	289	(26)	171
Deferred income tax provision (benefit)	$ 100	$ (271)	$ 71

</TABLE>

A reconciliation between the income tax provision and the expected tax determined by applying the statutory Federal income tax rates to earnings before income taxes follows (in thousands):

<TABLE>
<CAPTION>

	1994	1993	1992
Federal income tax at statutory rates	$ 9,916	$7,022	$3,443
Increase (decrease) to income tax expense:			
Amortization of goodwill	267	209	20
State income taxes, net of federal benefit	1,039	748	469
Merger costs	271	--	--
Tax exempt investment income	(207)	(377)	(150)
Meals and entertainment disallowance	186	60	49
FICA tip tax credit	(641)	--	--
Other	(54)	243	117
Income taxes	$10,777	$7,905	$3,948

</TABLE>

The net current deferred tax asset amounts are included in "prepaid and other current assets" in the accompanying consolidated balance sheets. The significant components of deferred tax assets and liabilities and the related balance sheet classifications are as follows (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 25, 1994	DECEMBER 26, 1993
Classified as current:		
Allowance for bad debts	$ 289	$ 126
Accrued expenses	238	307
Other, net	88	(232)
Net deferred tax asset	$ 615	$ 201

Classified as non-current:		
Depreciation differences	$1,171	$ 916
Franchise deposits	(529)	(493)
Other, net	73	(165)
Net deferred tax liability	$ 715	$ 258

</TABLE>

As the result of a recent examination by the Internal Revenue Service ("IRS") of the Company's 1990 and 1991 Federal income tax returns, the IRS proposed adjustments to the Company's taxable income for such years. The adjustments related to various matters, including the deductibility of certain intangible assets recorded in connection with the Company's acquisition of the Applebee's franchising and restaurant operations. During 1994, the Company and the IRS reached a settlement, and the resolution of this matter did not have a material adverse effect on the Company's consolidated financial position or results of operations.

11. COMMITMENTS AND CONTINGENCIES

Litigation: The Company is involved in various legal actions arising in the normal course of business. After taking into consideration legal counsel's evaluation of such actions, management is of the opinion that the outcome of these actions will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Franchise financing: The Company entered into an agreement in 1992 with a financing source to provide up to $75,000,000 of financing to Company franchisees to fund development of new franchise restaurants. Up to $25,000,000 of the $75,000,000 available under the agreement can be used by franchisees for short-term construction financing. The Company provided a limited guaranty of loans made under the agreement. The Company's recourse obligation of the construction financing portion of the facility is capped at $2,500,000. When the short-term construction loans are converted to long-term loans, the Company's maximum recourse obligation is reduced from 10% to 6.7% of the $75,000,000 facility. The Company's recourse obligations are reduced beginning in the second year of each long-term loan and thereafter decrease ratably to zero after the seventh year of each loan. At December 25, 1994, approximately $41,133,000 had been funded through this financing source and various loans were in process. The Company has not been apprised of any defaults by franchisees. This agreement expired on December 31, 1994 and was not renewed, although some loan commitments as of the termination date may thereafter be funded.

Severance agreements: The Company has severance and employment agreements with certain officers providing for severance payments to be made in the event the employee resigns or is terminated related to a change in control (as defined in the agreements). If the severance payments had been due as of December 25, 1994, the Company would have been required to make payments aggregating approximately $5,000,000. In addition, the Company has severance and employment agreements with certain officers which contain severance provisions not related to a change in control, and such provisions would have required aggregate payments of approximately $2,700,000 if such officers had been terminated as of December 25, 1994.

12. STOCKHOLDERS' EQUITY

On March 24, 1992, the Company completed a public offering of its common stock. The public offering included 6,255,000 shares sold by the Company and 3,405,000 shares sold by certain stockholders of the Company (2,085,000 shares and 1,135,000 shares, respectively, prior to adjustments for the stock splits discussed below). Proceeds of approximately $29,343,000, after expenses, were received from the offering.

On May 17, 1993, the Company declared a two-for-one stock split of its common stock in the form of a 100% stock dividend, distributed on June 25, 1993 to stockholders of record on June 4, 1993. On December 10, 1993, the Company declared a three-for-two stock split of its common stock in the form of a 50% stock dividend, distributed on January 28, 1994 to stockholders of record on December 23, 1993. Except for shares authorized, all references to number of shares and per share information in the consolidated financial statements and notes have been adjusted to reflect both stock splits on a retroactive basis. The two-for-one stock split and the three-for-two stock split resulted in increases in common stock and reductions in retained earnings of $187,000.

An amendment to the Company's Certificate of Incorporation was approved at the Annual Meeting of Stockholders held on May 25, 1994 which increased the number of authorized shares of Common Stock from 25,000,000 shares to 125,000,000 shares.

On September 7, 1994, the Company's Board of Directors adopted a Shareholder Rights Plan (the "'Rights Plan") and declared a dividend, issued on September 19, 1994, of one Right for each outstanding share of Common Stock of the Company (the "Common Shares"). The Rights become exercisable if a person or group acquires more than 15% of the outstanding Common Shares, other than pursuant to a Qualifying Offer (as defined) or makes a tender offer for more than 15% of the outstanding Common Shares, other than pursuant to a Qualifying Offer. Upon the occurrence of such an event, each Right entitles the holder (other

than the acquiror) to purchase for $75 the economic equivalent of Common Shares, or in certain circumstances, stock of the acquiring entity, worth twice as much. The Rights will expire on September 7, 2004 unless earlier redeemed by the Company, and are redeemable prior to becoming exercisable at $0.01 per Right.

13. EMPLOYEE BENEFIT PLANS

Employee stock option plan: During 1989, the Company's Board of Directors approved the 1989 Employee Stock Option Plan (the "Plan") which provides for the grant of both qualified and nonqualified options as determined by a committee appointed by the Board of Directors. The committee has discretion to select the optionees and to establish the terms and conditions of each option, subject to provisions of the Plan.

The Plan provides that the option price, for both qualified and nonqualified options, as of the date granted cannot be less than the fair market value of the Company's common stock. Options outstanding at December 25, 1994 were at prices ranging from $3.02 to $20.67 per share. The options are granted for a term of three to ten years and are generally exercisable one year from date of grant. The Plan contains other restrictions relative to option terms and maximum grant amounts to individual employees. The Plan, as amended, provides for a total of up to 3,000,000 shares which may be granted under its provisions and the Company has reserved such shares of common stock.

Transactions relative to the Plan are as follows:

<TABLE>
<CAPTION>

<S>	1994 <C>	1993 <C>	1992 <C>
Options outstanding at beginning of period	1,149,388	916,573	917,956
Granted	603,500	520,464	343,650
Exercised	(109,759)	(276,699)	(331,083)
Canceled	(48,450)	(10,950)	(13,950)
Options outstanding at end of period	1,594,679	1,149,388	916,573

	=========	=========	========
Options exercisable at end of period.....	928,607	595,294	545,536
Options available for grant at end of period..................................	684,780	1,239,830	249,344

</TABLE>

Employee retirement plans: During 1992, the Company established a profit sharing plan and trust in accordance with Section 401(k) of the Internal Revenue code. The Company matches 25% of employee contributions, not to exceed 2% of the employee's total annual compensation, with the Company contributions vesting at the rate of 20% each year beginning after the employee's second year of service. During 1994, the Company established a non-qualified defined contribution retirement plan for key employees. The Company's contributions under both plans in 1994, 1993 and 1992 were approximately $127,000, $175,000 and $31,000, respectively.

14. RELATED PARTY TRANSACTIONS

The Company and certain franchisees have obtained restaurant equipment from a company owned by an individual who is related to a director of the Company and who is also related to an officer and stockholder of the Company. During 1994, 1993 and 1992, the Company paid $3,869,000, $369,000 and $784,000, respectively, for equipment and services purchased from this company. In addition, the Company had $194,000 and $565,000 in accounts payable to this company at December 25, 1994 and December 26, 1993, respectively.

The Company leases a restaurant site from a corporation whose ownership is composed of certain current and former stockholders, directors and officers of the Company. The lease has a term of 20 years with two renewal options. The lease provides for rentals in an amount equal to approximately 7% of gross sales and

has an initial term of 20 years. Rents incurred under the lease were $173,000, $152,000 and $150,000 for 1994, 1993 and 1992, respectively, and are included in direct and occupancy costs in the consolidated statements of earnings.

The Company leases a restaurant site from a partnership in which a former director who is related to a director of the Company and who is also related to an officer and stockholder of the Company holds a 50% interest. The lease has a term of 20 years with two options to renew. The lease provides for rentals in an amount equal to approximately 7% of gross sales of the restaurant. Rents incurred under the lease were $113,000 for each of 1994, 1993 and 1992, respectively, and are included in direct and occupancy costs in the consolidated statements of earnings.

IRC leases its office space under an operating lease with an outside party related through common ownership. The lease expires in April 1998; however, the Company has the option to terminate the lease at the end of 1995. Rents incurred under the lease were $74,000, $55,000 and $52,000 for 1994, 1993 and 1992, respectively, and are included in general and administrative expenses in the consolidated statements of earnings.

15. SUBSEQUENT EVENTS

In February 1995, the Company obtained a $20,000,000 unsecured bank revolving credit facility which expires on December 31, 1997. The revolving credit facility bears interest at LIBOR plus 0.60% or the prime rate, at the Company's option, and requires the Company to pay a commitment fee of 0.15% on any unused portion of the facility. As of March 26, 1995, no amounts were outstanding under the facility. The debt agreement contains various covenants and restrictions which, among other things, require the maintenance of a stipulated fixed charge coverage ratio and minimum consolidated net worth, as defined, and also limit additional indebtedness in excess of specified amounts. The debt agreement also restricts the amount of retained earnings available for the payment of cash dividends. The Company is currently in compliance with such covenants.

In March 1995, IRC obtained a $2,000,000 note payable to a bank bearing interest at the prime rate, payable in monthly installments of $25,000 including interest, beginning April 1, 1996 with a final balloon payment due February 1, 1998. The note is collateralized by certain real and personal property.

In April 1995, the Company acquired the operations of five franchise restaurants and the related furniture and fixtures, certain land and leasehold improvements. The total purchase price was approximately $9,500,000, of which $9,250,000 was paid in cash at the time of closing and the remaining $250,000 was placed in escrow to address potential adjustments. The acquisition will be accounted for as a purchase, and accordingly, the purchase price will be allocated to the fair value of net assets acquired and the results of operations of such restaurants will be reflected in the 1995 financial statements subsequent to the date of acquisition.

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following presents the unaudited consolidated quarterly results of operations for 1994 and 1993 (in thousands, except per share amounts). Merger costs of $920,000 related to the PVNE Merger were expensed in the fourth quarter of 1994.

<TABLE>
<CAPTION>

	1994			
	FISCAL QUARTER ENDED			
	MARCH 27, 1994	JUNE 26, 1994	SEPTEMBER 25, 1994	DECEMBER 25, 1994
<S>	<C>	<C>	<C>	<C>
Revenues:				
Company restaurant sales................	$49,847	$54,859	$58,457	$59,282
Franchise income......	6,658	7,358	8,046	9,357
Total operating revenues.............	56,505	62,217	66,503	68,639
Cost of Company restaurant sales:				
Food and beverage.....	14,821	16,056	16,768	17,174
Labor................	16,237	17,426	18,585	18,529
Direct and occupancy..	12,319	13,152	14,088	14,324
Pre-opening expense...	136	631	559	767
Total cost of Company restaurant sales.............	43,513	47,265	50,000	50,794
General and administrative expenses..........	6,874	7,040	6,923	8,330
Merger costs...........	--	--	--	920
Amortization of intangible assets............	547	518	517	451
Loss on disposition of restaurants and equipment..................	50	461	222	128
Operating earnings......	5,521	6,933	8,841	8,016
Other income (expense):				

Investment income	306	185	302	272
Interest expense	(299)	(385)	(673)	(672)
Other income	60	53	55	85
Total other income (expense)	67	(147)	(316)	(315)
Earnings before income taxes	5,588	6,786	8,525	7,701
Income taxes	1,904	2,192	2,431	2,926
Net earnings	3,684	4,594	6,094	4,775
Pro forma provision for income taxes of pooled companies	283	337	678	26
Pro forma net earnings	$ 3,401	$ 4,257	$ 5,416	$ 4,749
Pro forma net earnings per common share	$ 0.12	$ 0.15	$ 0.20	$ 0.17
Weighted average shares outstanding	27,910	27,974	27,988	28,007

</TABLE>

<TABLE>
<CAPTION>

	1993			
	FISCAL QUARTER ENDED			
	MARCH 28, 1993	JUNE 27, 1993	SEPTEMBER 26, 1993	DECEMBER 26, 1993
<S>	<C>	<C>	<C>	<C>
Revenues:				
Company restaurant sales	$33,395	$39,589	$43,335	$43,163
Franchise income	4,485	4,936	5,685	6,218
Total operating revenues	37,880	44,525	49,020	49,381
Cost of Company restaurant sales:				
Food and beverage	9,901	11,678	12,490	12,688
Labor	10,899	12,560	13,840	13,651
Direct and occupancy	7,802	9,135	9,982	10,364
Pre-opening expense	330	140	285	833
Total cost of Company restaurant sales	28,932	33,513	36,597	37,536
General and administrative expenses	4,821	5,517	6,231	5,957
Amortization of intangible assets	352	516	523	543
Loss on disposition of restaurants and equipment	--	1	64	26
Operating earnings	3,775	4,978	5,605	5,319
Other income (expense):				

Investment income	398	347	540	390
Interest expense	(224)	(269)	(272)	(310)
Other income	40	67	67	5
Total other income (expense)	214	145	335	85
Earnings before income taxes	3,989	5,123	5,940	5,404
Income taxes	1,283	1,836	1,884	1,690
Net earnings	2,706	3,287	4,056	3,714
Pro forma provision for income taxes of pooled companies	272	272	377	291
Pro forma net earnings	$ 2,434	$ 3,015	$ 3,679	$ 3,423
Pro forma net earnings per common share	$ 0.09	$ 0.11	$ 0.13	$ 0.13
Weighted average shares outstanding	26,802	27,745	27,772	27,853

</TABLE>

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

ASSETS

<TABLE>
<CAPTION>

	MARCH 26, 1995	DECEMBER 25, 1994
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 12,922	$ 9,634
Short-term investments, at market value (amortized cost of $8,942 in 1995 and $9,046 in 1994)	8,990	8,893
Receivables (less allowance for bad debts of $801 in 1995 and $740 in 1994)	7,096	7,396
Inventories	6,348	5,159
Prepaid and other current assets	2,055	2,887
Total current assets	37,411	33,969
Property and equipment, net	120,168	114,729
Goodwill, net	20,811	21,113
Franchise interest and rights, net	6,237	6,401
Other assets	3,370	3,802
	$187,997	$180,014
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Demand note and current portion of notes payable	$ 3,208	$ 3,505
Current portion of obligations under noncompetition and consulting agreement	220	220
Accounts payable	12,539	10,750
Accrued expenses and other current liabilities	15,053	16,713
Accrued dividends	--	1,269
Accrued income taxes	4,163	1,169
Total current liabilities	35,183	33,626

Non-current liabilities:		
Notes payable--less current portion	34,303	34,312
Franchise deposits	1,417	1,355
Obligations under noncompetition and consulting agreement--less current portion	440	660
Deferred income taxes	62	715
Total non-current liabilities	36,222	37,042
Total liabilities	71,405	70,668
Minority interest in joint venture	604	558
Commitments and contingencies (Notes 3 and 4)		
Stockholders' equity:		
Preferred stock--par value $0.01 per share: authorized--1,000,000 shares; no shares issued	--	--
Common stock--par value $0.01 per share: authorized--125,000,000 shares; issued--28,435,693 shares in 1995 and 28,295,479 shares in 1994	284	283
Additional paid-in capital	81,571	78,675
Retained earnings	34,952	30,775
Unrealized gain (loss) on short-term investments, net of income taxes	30	(96)
	116,837	109,637
Treasury stock--281,772 shares in 1995 and 1994, at cost	(849)	(849)
Total stockholders' equity	115,988	108,788
	$187,997	$180,014

</TABLE>

See notes to consolidated financial statements.

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	13 WEEKS ENDED	
	MARCH 26, 1995	MARCH 27, 1994
<S>	<C>	<C>
Revenues:		
Company restaurant sales	$66,021	$49,847
Franchise income	9,418	6,658
Total operating revenues	75,439	56,505
Cost of Company restaurant sales:		
Food and beverage	18,908	14,821
Labor	21,068	16,237
Direct and occupancy	15,378	12,319
Pre-opening expense	633	136
Total cost of Company restaurant sales	55,987	43,513
General and administrative expenses	8,909	6,874
Merger costs	1,770	--
Amortization of intangible assets	515	547
Loss on disposition of equipment	26	50
Operating earnings	8,232	5,521

Other income (expense):		
Investment income	237	306
Interest expense	(614)	(299)
Other income	82	60
Total other income (expense)	(295)	67
Earnings before income taxes	7,937	5,588
Income taxes	3,611	1,904
Net earnings	4,326	3,684
Pro forma provision for income taxes	73	283
Pro forma net earnings	$ 4,253	$ 3,401
Pro forma net earnings per common share	$ 0.15	$ 0.12
Weighted average shares outstanding	28,078	27,910

</TABLE>

See notes to consolidated financial statements.

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	UNREALIZED GAIN (LOSS) ON SHORT-TERM INVESTMENTS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 25, 1994	28,295,479	$283	$78,675	$30,775	$(96)	$(849)	$108,788
Pro forma provision for income taxes	--	--	--	73	--	--	73
Reclassification of net income of IRC partnerships	--	--	149	(149)	--	--	--
Stock options exercised:							
Company	140,214	1	1,085	--	--	--	1,086
IRC	--	--	1,333	--	--	--	1,333
Income tax benefit upon exercise of stock options	--	--	329	--	--	--	329
Unrealized gain on short-term investments, net of income taxes	--	--	--	--	126	--	126
Pro forma net earnings	--	--	--	4,253	--	--	4,253
Balance, March 26, 1995	28,435,693	$284	$81,571	$34,952	$ 30	$(849)	$115,988

</TABLE>

See notes to consolidated financial statements.

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	13 WEEKS ENDED	
	MARCH 26, 1995	MARCH 27, 1994
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Pro forma net earnings	$ 4,253	$ 3,401
Adjustments to reconcile pro forma net earnings to net cash provided by operating activities:		
Depreciation and amortization	2,580	1,896
Amortization of intangible assets	515	547
(Gain) loss on sale of investments	4	(101)
Deferred income tax benefit	(573)	(182)
Loss on disposition of equipment	26	50
Pro forma provision for income taxes	73	283
Changes in assets and liabilities:		
Receivables	300	17
Inventories	(1,189)	(1,075)
Prepaid and other current assets	669	(63)
Accounts payable	1,789	1,617
Accrued expenses and other current liabilities	(1,660)	(609)
Accrued income taxes	2,994	(190)
Franchise deposits	62	(8)
Other	385	(251)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,228	5,332
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities and sales of short-term investments	100	1,761
Purchases of property and equipment	(8,039)	(8,030)
NET CASH USED BY INVESTING ACTIVITIES	(7,939)	(6,269)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(1,269)	(879)
Cash distributions	--	(684)
Issuance of common stock upon exercise of stock options	2,419	118
Income tax benefit upon exercise of stock options	329	116
Proceeds from issuance of notes payable	2,816	320
Payments on notes payable	(3,122)	(1,874)
Payments under noncompetition and consulting agreement	(220)	(244)
Minority interest in net earnings of joint venture	46	12
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	999	(3,115)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,288	(4,052)
CASH AND CASH EQUIVALENTS, beginning of period	9,634	8,054
CASH AND CASH EQUIVALENTS, end of period	$12,922	$ 4,002
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the 13 week period for:		
Income taxes	$ 885	$ 2,295
Interest	$ 563	$ 470

</TABLE>

DISCLOSURE OF ACCOUNTING POLICY:

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

See notes to consolidated financial statements.

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. BASIS OF PRESENTATION

The consolidated financial statements of Applebee's International, Inc. and subsidiaries (the "Company") for the 13 weeks ended March 26, 1995 and March 27, 1994 have been prepared without audit (except that the balance sheet information as of December 25, 1994 has been derived from consolidated financial statements which were audited) in accordance with the rules and regulations of the Securities and Exchange Commission. Although certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, the Company believes that the disclosures are adequate to make the information presented not misleading. The accompanying consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the fiscal year ended December 25, 1994 included herein.

The Company believes that all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented have been made. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the full year.

Beginning in fiscal 1995, the cost of meals provided to employees and other complimentary meals have been classified as labor costs and direct and occupancy costs, respectively. Previously, the retail price of such meals was reflected in Company restaurant sales with corresponding amounts reflected as labor costs or direct and occupancy costs. The consolidated financial statements for the 13 weeks ended March 27, 1994 have been reclassified to conform to the presentation for the 13 weeks ended March 26, 1995, the effects of which were not material.

2. ACQUISITIONS

IRC Merger: On March 23, 1995, the Company acquired Innovative Restaurant Concepts, Inc. and its affiliates ("IRC"), referred to herein as the "IRC Merger". As a result of the IRC Merger, IRC became a wholly-owned subsidiary of the Company. A total of approximately 2,630,000 shares of the Company's newly-issued common stock was issued to the shareholders and limited partners of IRC, including IRC shares issued in 1995 upon the exercise of IRC stock options prior to the IRC Merger. IRC employees exchanged pre-existing stock options for options to purchase approximately 147,000 shares of the Company's common stock. Of such shares and options, 7.5% were placed in escrow to address potential adjustments during the escrow period that will end December 23, 1995. In addition, the Company assumed approximately $13,700,000 of IRC indebtedness, of which $1,270,000 was repaid at closing. At the time of the IRC Merger, IRC operated 17 restaurants, 13 of which were Rio Bravo Cantinas, a Mexican restaurant concept, and four were other specialty restaurants.

The IRC Merger was accounted for as a pooling of interests and accordingly, the accompanying consolidated financial statements have been restated to include the accounts and operations of the merged entities for all periods presented. All share amounts have been restated to reflect the total number of shares issued to IRC for all periods presented. Separate results of the two entities were as follows (amounts in thousands):

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	COMPANY	IRC	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED

13 Weeks Ended March 26, 1995				
Net sales......................	$52,199	$13,822	$ --	$66,021
Net earnings...................	$ 5,519	$ 577	$(1,843)	$ 4,253
13 Weeks Ended March 27, 1994				
Net sales......................	$37,640	$12,207	$ --	$49,847
Net earnings...................	$ 2,916	$ 580	$ (95)	$ 3,401

Adjustments have been made to eliminate the impact of intercompany balances and to record provisions for pro forma income taxes for certain affiliates of IRC. Merger costs of $1,770,000 relating to the IRC merger have been expensed in the first quarter of 1995. Merger costs include investment banking fees, legal and accounting fees, and other merger related expenses. The impact of these costs on pro forma net earnings per common share was approximately $0.06 in the first quarter of 1995.

Other restaurant acquisitions: On April 3, 1995, the Company acquired the operations of five franchise restaurants and the related furniture and fixtures, certain land and leasehold improvements. The total purchase price was approximately $9,500,000, of which $9,250,000 was paid in cash at the time of closing and the remaining $250,000 was placed in escrow to address potential adjustments. The acquisition will be accounted for as a purchase, and accordingly, the purchase price will be allocated to the fair value of net assets acquired and the results of operations of such restaurants will be reflected in the 1995 financial statements subsequent to the date of acquisition. Based on preliminary information, it is anticipated that approximately $6,500,000 of the purchase price will be allocated to goodwill.

3. COMMITMENTS AND CONTINGENCIES

Litigation: The Company is involved in various legal actions arising in the normal course of business. After taking into consideration legal counsel's evaluation of such actions, management is of the opinion that the outcome of these actions will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Franchise financing: The Company entered into an agreement in 1992 with a financing source to provide up to $75,000,000 of financing to Company franchisees to fund development of new franchise restaurants. Up to $25,000,000 of the $75,000,000 available under the agreement can be used by franchisees for short-term construction financing. The Company has provided a limited guaranty of loans made under the agreement. The Company's recourse obligation of the construction financing portion of the facility is capped at $2,500,000. When the short-term construction loans are converted to long-term loans, the Company's maximum recourse obligation is reduced from 10% to 6.7% of the $75,000,000 facility. The Company's recourse obligations are reduced beginning in the second year of each long-term loan and thereafter decrease ratably to zero after the seventh year of each loan. At March 26, 1995, approximately $41,433,000 had been funded through this financing source and various loans were in process. The Company has not been apprised of any defaults by franchisees. This agreement expired on December 31, 1994 and was not renewed, although some loan commitments as of the termination date may thereafter be funded.

Severance agreements: The Company has severance and employment agreements with certain officers providing for severance payments to be made in the event the employee resigns or is terminated related to a change in control (as defined in the agreements). If the severance payments had been due as of March 26, 1995, the Company would have been required to make payments aggregating approximately $4,800,000. In addition, the Company has severance and employment agreements with certain officers which contain severance provisions not related to a change in control, and such provisions would have required aggregate payments of approximately $3,100,000 if such officers had been terminated as of March 26, 1995.

4. FINANCING

In February 1995, the Company obtained a $20,000,000 unsecured bank revolving credit facility which expires on December 31, 1997. The revolving credit facility bears interest at LIBOR plus 0.60% or the prime rate, at the Company's option, and requires the Company to pay a commitment fee of 0.15% on any unused

portion of the facility. As of March 26, 1995, no amounts were outstanding under the facility. The revolving credit facility contains various covenants and restrictions which, among other things, require the maintenance of a stipulated fixed charge coverage ratio and minimum consolidated net worth, as defined, and also limit additional indebtedness in excess of specified amounts. The revolving credit facility also restricts the amount of retained earnings available for the payment of cash dividends. The Company is currently in compliance with such covenants.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH ANY OFFERING MADE HEREBY OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE SELLING STOCKHOLDERS OR ANY OF THE UNDERWRITERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES COVERED BY THIS PROSPECTUS IN ANY JURISDICTION IN WHICH, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

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2,400,000 SHARES

LOGO

APPLEBEE'S

INTERNATIONAL,
INC.

COMMON STOCK

PROSPECTUS

PIPER JAFFRAY INC.

DILLON, READ & CO. INC.

MONTGOMERY SECURITIES

July 28, 1995