Jack in the Box Inc.

ANNUAL REPORT 1999

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Jack in the Box Inc. is the operator and franchiser of Jack in the Box® restaurants, one of the nation's leading fast-food hamburger chains. Originating as a drive-thru nearly 50 years ago, the company today serves about a half billion people per year at its more than 1,500 locations. The chain differentiates itself through menu variety and distinctive sandwiches that appeal primarily to adult tastes, and with a brand image that is communicated in advertising through Jack, the company's fictional founder. Headquartered in San Diego, Jack in the Box Inc. has more than 37,000 employees. The company's stock is traded on the New York Stock Exchange under the trading symbol JBX.

This document contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially. Risk factors relating to such statements are described in the company's Annual Report on Form 10-K on file with the Securities and Exchange Commission.

FINANCIAL HIGHLIGHTS

(Dollars in millions, except per share data)

	FOR THE FISCAL YEAR ENDED		
	OCT. 3, 1999	SEPT. 27, 1998	SEPT. 28, 1997
JACK IN THE BOX® restaurants	1,517	1,414	1,323
Company-operated	1,191	1,069	963
Franchise-operated	326	345	360
Comparable restaurant sales increases	8.7%	2.8%	6.5%
Systemwide restaurant sales	$ 1,757.6	$ 1,457.9	$ 1,338.8
Revenues	$ 1,456.9	$ 1,224.1	$ 1,071.7
Earnings before interest and taxes*	$ 131.6	$ 99.9	$ 85.6
Earnings*	$ 65.1	$ 45.4	$ 35.3
Earnings per share, diluted*	$ 1.66	$ 1.13	$ 0.89
Net earnings	$ 76.5	$ 66.7	$ 34.1
Net earnings per share, diluted	$ 1.95	$ 1.66	$ 0.86
Cash provided by operations*	$ 145.4	$ 122.5	$ 121.0
Total assets	$ 833.6	$ 743.6	$ 681.8
Total stockholders' equity	$ 217.8	$ 137.0	$ 87.9
Book value per share	$ 5.69	$ 3.61	$ 2.25
Common shares outstanding, in thousands	38,276	37,928	39,097

* Before unusual and extraordinary items. In 1999, excludes an $18.0 million reduction in restaurant operating costs. In 1998, excludes $45.8 million litigation settlement income and an $8.2 million non-cash charge. Earnings each year exclude these amounts, less applicable income taxes.

Gather ’round, kids, listen up and you’ll hear
A tale about Wall Street’s remarkable year —
Of analysts, brokers and smart online traders,
Bankers and hedge funds and corporate raiders,
Fickle stock markets and ’Net IPOs
And a Dow that hit 10,000 one fateful close.
A year when big guys — the GEs and Big Blues —
Played second banana to upstart Yahoos!

Pundits and newshounds will have a hard time
Recalling a year like 1999,
When even the government found itself flush
With a surplus that would’ve made Howard Hughes blush.
Impeachment proceedings and threats of inflation
Did nothing to dampen the mood of the nation,
As IRAs, shelters and 401(k)s
Grew fatter than Michael Dell’s annual raise.

By summer, though, some skeptics started to wonder
If something just might steal the optimists’ thunder:
“See what can happen when Internet stocks
Plummet like hang-gliders made out of rocks?
Cutting-edge startups can make quite a splash;
The best ones can earn you a mountain of cash.
But that’s not the norm, you know. Get real! Come off it!
It could be 12 years before some turn a profit!”

Investors who frown upon earnings-free quarters
Said, *"Give us a firm built on real bricks and mortar!"*
They sought out our hero, a fellow named Jack,
Whose fast-food empire's been around since way back.
His chain — one thousand five hundred stores strong —
Had really performed pretty well all along.
But Jack had a vision, a yearning to grow —
(Frankly, he wanted to make some more dough).

His company went by the name of "Foodmaker,"
Which brought to mind sushi chefs, butchers and bakers.
"But we deal in burgers," Jack recently reasoned;
"And we're no newcomers — we're smart and we're seasoned.
Everyone knows us as 'Jack in the Box' —
It doesn't take cunning like that of a fox
To see our name should be 'Jack in the Box Inc.'
That'll build brand recognition, I think."

So on October 4th, Jack showed up in New York.
He sounded the Big Board bell, popped a few corks,
Watched as his ticker became JBX
And chatted with some of his fellow execs.
Later, a group of investors stopped by;
They wanted to talk shop and ask "How?" and "Why?"
Since he was keen to enlighten them, too,
Jack waxed poetic on the business he knew:

“Some chains use gimmicks to stoke their appeal;
For us, hold the cheese — I say, ‘Let’s keep it real.’
Basics like great food and service are key;
That’s why our ad campaign just features me.
I talk straight to people and crack a few jokes;
They see (head aside) I’m like regular folks.
Our customers get it — they all understand;
They know they can count on our company’s brand.

“My team spent the first part of ’99 switchin’
Equipment and layouts in all of our kitchens.
No heat lamps or holding bins — ‘Ditch ’em,’ I said.
We’ll make burgers after they’re ordered instead.
We’ll assemble to order all day and all night
Not just at peak times — heck, that wouldn’t be right.
Great burgers, fries and some other choice foodstuffs
Will win us the hearts of those young male fast-food buffs.”

“You’ve got first-rate chow,” said the wary investors;
“Your ad campaign’s funny as 40 court jesters.
In the West and Southwest you’ve done better than fair
But what makes you think you can cut it elsewhere?”
Jack pondered the query and reached for a stack
Of papers with numbers on both front and back:
“This research reveals why we’ve planned what we’ve planned;
These figures reveal growth’s in store for this brand.

“We checked all the data — we’re nobody’s stooge;
We figure there’s room for us in Baton Rouge
And Charlotte and Nashville — those places are booming.
We sensed there were new opportunities looming.
We’ll open a few stores to see how we fare;
We think we’ll be able to claim a fair share
Of 18- to 34-year-old consumers —
Guys who love great food and my sense of humor.

“We think Southern tastebuds will find us appealing.
(’Course, you could stroll clear ’cross the world to Darjeeling
And not find a big chain that serves all we do —
Like ice-cream shakes, tacos and finger foods, too.)
And then there’s our drive-thru, which keeps getting better.
We’re making sure orders get filled to the letter
With digital screens that display every item.
They help our crew members retain and recite ’em.”

The investors, who’d stopped to consider Jack’s views,
Had questions about the techniques he would use
To win people’s loyalty and repeat transactions.
Could all his bold words be backed up by actions?
“You haven’t talked much about service,” they noted;
“We assume it’s still something to which you’re devoted.
Can you get workers to care for each guest
And make certain every store ranks with your best?”

"The trick," Jack responded, *"is being consistent —*
This is just something on which I'm insistent.
Folks have to know that wherever they roam,
Jack's as reliable as eating at home.
The way we get there is to honor the ties
Between service and profit — our people realize
That treating employees with genuine care
Helps our guests get the same thing everywhere."

With earnings that hit record highs three years running,
Many thought Jack's success more or less stunning.
He said: *"High-tech startups have been all the rage,*
But some corporations get better with age.
Many investors prize wisdom and history;
To them this e-commerce stuff's shrouded in mystery.
Firms that make things you can hold in your hands
Are the ones with distinctive and memorable brands."

"You've had some success," the investors retorted.
"But how can we know if results you've reported
Reflect short-term wins or a longer-term trend?
Couldn't it be that this great run will end?"
Jack pointed to tables and pie graphs and spreadsheets
And said: *"We're all over consumers like bedsheets.*
We talk to our guests, checking research and references;
That's how we understand their fast-food preferences."

Competition was fierce in the big burger game
But Jack had a hunch he could win just the same.
"This business, it's not really so hard to crack;
Just serve food that makes people want to come back.
Treat every guest like a real VIP;
Make every trip to your store hassle-free.
And once you've delivered the best you can do,
Figure out how to improve on that, too."

So kids, that's the story of Jack's '99;
And now for the moral you should bear in mind:
Stick to the basics — develop your brand;
Make smart growth the goal of your company's plan.
Don't bet the farm on some young dot.com novices
(Some are just tech nerds who sleep in their offices.)
Listen to guests, keep your ear to the ground and
Trust the advice of the burger-chain clown.

LETTER TO STOCKHOLDERS

DEAR STOCKHOLDERS,

On Oct. 4, 1999, immediately after closing out our third consecutive year of record earnings and just a few short weeks after opening our 1,500th restaurant, the company formerly known as Foodmaker, Inc. became Jack in the Box Inc. At the same time, our NYSE ticker symbol changed from FM to JBX. It was a move that reflected the increasing strength of the JACK IN THE BOX® brand as well as our company's dedication to achieving the same name recognition among members of the financial community that we enjoy with millions of fast-food lovers nationwide.

Far from signaling a strategic shift or a new beginning, the name change affirmed our pride in these recent accomplishments and a determination to continue on our current course. That course has been marked by an unwavering commitment to sweeping quality improvements, which were major factors behind the sales gains and higher profits we achieved in 1999.

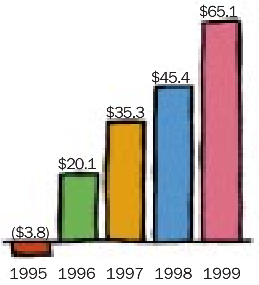
For the fiscal year, Jack in the Box Inc. posted net earnings totaling $76.5 million, or $1.95 per diluted share, up from $66.7 million, or $1.66 per diluted share, in fiscal 1998. Earnings for fiscal 1999 stood at record levels even after removing unusual income items reported in both years and adjusting for the extra week in fiscal 1999 that contributed approximately $28 million in company restaurant sales and approximately $1.4 million, or 4 cents per diluted share, to the year's earnings totals. The information that follows includes the extra week's results.

Company restaurant sales for fiscal year 1999 rose more than 23 percent to $1.37 billion from 1998's $1.11 billion. At the same time, systemwide restaurant sales for 1999 increased to $1.76 billion from fiscal 1998's total of $1.46 billion. The fourth quarter of 1999 was the company's 19th consecutive quarter of average weekly same-store sales increases; for the year, average weekly same-store sales improved 8.7 percent compared with fiscal year 1998 due to an increase of 5.3 percent in customer visits and a 3.4 percent jump in average check amount. Simply put, more people than ever before are coming to JACK IN THE BOX restaurants, and they're buying more food when they arrive. Same-store sales are a key measure of our success, as they reflect the strength of our existing restaurants,

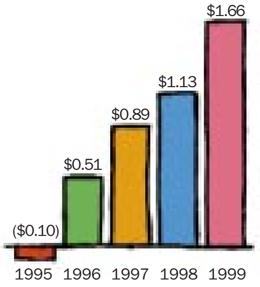
as opposed to sales growth attained through the opening of new outlets.

Improving sales and control of food, labor and occupancy costs resulted in 1999 restaurant operating margins growing to 20.1 percent of sales for the fiscal year, excluding an unusual income item, from 18.8 percent in 1998. And total revenues for the year increased about 20 percent, to nearly $1.46 billion, compared with $1.22 billion in fiscal year 1998.

Operating as it does in an industry as ruthlessly competitive as fast food, Jack in the Box Inc. understands the importance of continuous improvement, which entails, among other things, making smart investments in our business. We define smart investments as those that significantly improve product quality and guest service — the key drivers of consumer satisfaction and higher sales. We made a number of such investments in 1999, and, as a result, general and administrative costs trended higher overall. We opened 115 new outlets in fiscal 1999 and plan to open about 120 in fiscal 2000. Growth in the number of company-operated restaurants in our chain demanded that we add three regional offices to provide restaurant managers with the resources they need to continue delivering on our commitments to guests. G&A costs were also affected by a host of other factors, including: higher pension and incentive compensation expenses; an extra week of payroll and other expenses; start-up costs related to new markets and other growth; and training and other costs associated with the implementation of our new "assemble-to-order" food-preparation systems, which contributed to higher sales levels in 1999.



EARNINGS IN MILLIONS*

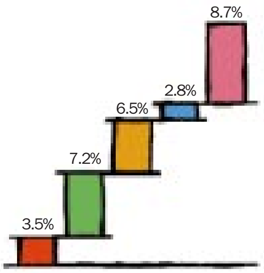


EARNINGS PER SHARE*

The assemble-to-order program, which we tout in our advertising with the tagline, "We won't make it 'til you order it," promises consumers hot, freshly made products they'll find considerably tastier than food that sits in holding bins under heat lamps at some other chains. The program involved a significant overhaul of all of our restaurant kitchens, an 18-month project completed in May 1999. Its successful implementation was truly a credit to the diligent efforts of our 37,000 employees. Syndicated consumer research has already demonstrated that fast-food lovers are noticing the changes we've put in place, and while we're pleased to see we've made significant inroads with our target consumers, we're by no means getting complacent: We continue to look at ways to refine and streamline our kitchen operations with a view to enhancing both speed of service and product quality.

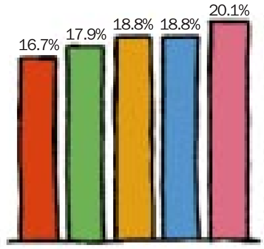
* Before unusual and extraordinary items. In 1995, excludes an $8 million stockholders' lawsuit settlement charge and the writeoff of the Company's $57.2 million investment in Family Restaurants, Inc. In 1998, excludes $45.8 million litigation settlement income and an $8.2 million non-cash charge. In 1999, excludes an $18.0 million reduction in restaurant operating costs for a change in estimated insurance costs. Earnings each year exclude these amounts, less applicable income taxes

For the fiscal year, capital spending reached $134 million compared with $111 million in 1998. This change reflected the opening of an increasing number of new restaurants and the implementation of other customer-service initiatives. In all, there were 1,191 company-operated Jack in the Box restaurants at the close of fiscal 1999, and 1,517 units overall.



SAME–STORE SALES INCREASE

At the outset of fiscal year 2000, following a period of extensive research, reconnaissance and planning, Jack in the Box Inc. made its initial foray into select Southeastern markets with the opening of new outlets in Charlotte, N.C., Nashville, Tenn., and Baton Rouge, La. Initial results were impressive: The first stores exceeded our sales expectations, and judging from the comments, correspondence and positive press we've collected in each market, Jack in the Box restaurants are being well-received by locals.



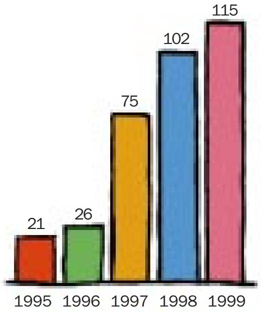
RESTAURANT OPERATING MARGIN*

The Southeastern restaurants feature a dramatic new contemporary design and a diverse menu that offers most of the chain's traditional fare as well as a few new items tailored to suit local tastes, such as biscuits. The decision to venture into the Southeast came following the results of research that indicated the Jack in the Box brand had considerable room to grow. As we see it, building a powerful and distinctive brand — one synonymous with quality, superior service and continuous improvement — has been key to our company's success to date, and it will be vital to our future as we work to become a national chain. These days, Jack, our fictional founder, is a bona-fide celebrity, one whose appeal has led to consumers taking home more than 14 million premiums in his likeness since he became the centerpiece of our popular ad campaign in 1995.

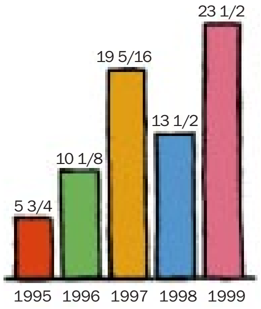
Jack's wry sense of humor has made him a media star, but it's the values he represents that make him an invaluable vehicle for our chain's brand and product messages. In our advertisements, Jack comes across as a no-nonsense guy, a straight-shooter with a distaste for gimmickry who mirrors our company commitment to executing the fundamentals of the fast-food business better than our competitors. In focus groups, consumers have proven that they understand and appreciate that Jack shares their passion for — and insistence on — great food, service, consistency and value. Jack's also become something of a force for positive change inside our company. Employees are adopting Jack's sensible, grounded approach to leadership and decision-making, and they are asking themselves, "How would Jack do it?" when faced with difficult choices. That process ensures that we deliver on our corporate mission of exceeding every guest's expectations.

* In 1999, excludes an $18.0 million reduction in restaurant operating costs for a change in estimated insurance costs.

There's no question that competitive pressures will keep us on our toes, and there are fundamental issues facing our industry that will continue to pose challenges. We're responding to nationwide labor shortages, for instance, with a combination of training and retention programs designed to help new recruits get acclimated to their jobs and our corporate culture in a way that promotes loyalty to our organization and greater job satisfaction. Our innovative "onboarding" employee-orientation program, which was profiled in The New York Times in early 1999, helps us manage turnover in our restaurants companywide. We take pride in the fact that our organization operates in accordance with the service-profit chain, which suggests that companies that treat employees well will, in turn, reap the benefits of having employees who treat customers well — namely, repeat business and higher sales.



NEW COMPANY RESTAURANTS



YEAR END STOCK PRICE

At the same time, we're building dynamic relationships with people and organizations in the communities where we operate. The Jack in the Box Foundation, founded in 1998, partners with the mentoring organization Big Brothers Big Sisters of America® to address the needs of children at risk in cities and towns nationwide. It's a cause near and dear to every community and to the hearts of our customers, whom we canvassed for input before settling on our partnership with BBBSA.

As we head toward our 50th year in business, Jack in the Box Inc. has a unique opportunity to build on its recent successes and momentum by continuing to instill in consumers a preference for our brand and our food. We're working hard to stay in touch with evolving fast-food preferences and to meet consumers' relentless demand for convenience and quality. Our moderate size enables us to effect companywide improvements in relatively short periods of time; still, we're large enough to benefit from economies of scale. At a time when many chains are looking to the next flashy product or promotion to build short-term sales, the company is devising ways to expand its already loyal base of customers by delivering consistently superior products and service second to none. We believe this sort of focus distinguishes us from the great majority of competitors, and we're confident that it's the approach that provides the greatest benefit to investors.

Respectfully,

Robert J Nugent

Robert J. Nugent

President and Chief Executive Officer

Jack in the Box Inc.

Jack in the Box Restaurants

	COMPANY-OPERATED	FRANCHISED	TOTAL
Arizona	76	44	120
California	491	237	728
Hawaii	27	1	28
Idaho	17	–	17
Illinois	13	–	13
Missouri	44	–	44
Nevada	31	10	41
New Mexico	–	2	2
Oregon	20	2	22
Texas	383	30	413
Washington	89	–	89
Total	**1,191**	**326**	**1,517**

FINANCIALS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Jack in the Box Inc.:

We have audited the accompanying consolidated balance sheets of Jack in the Box Inc. and subsidiaries as of October 3, 1999 and September 27, 1998, and the related consolidated statements of earnings, cash flows and stockholders' equity for the fifty-three weeks ended October 3, 1999, and the fifty-two weeks ended September 27, 1998 and September 28, 1997. 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jack in the Box Inc. and subsidiaries as of October 3, 1999 and September 27, 1998, and the results of their operations and their cash flows for the fifty-three weeks ended October 3, 1999, and the fifty-two weeks ended September 27, 1998 and September 28, 1997 in conformity with generally accepted accounting principles.

KPMG LLP

San Diego, California
November 5, 1999

JACK IN THE BOX INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

ASSETS	OCTOBER 3, 1999	SEPTEMBER 27, 1998
Current assets:		
Cash and cash equivalents	$ 10,925	$ 9,952
Accounts receivable, net	9,156	13,705
Inventories	20,159	17,939
Prepaid expenses	15,387	12,338
Assets held for sale	41,607	28,488
Total current assets	97,234	82,422
Property and equipment:		
Land	89,352	90,159
Buildings	379,595	332,840
Restaurant and other equipment	334,577	269,135
Construction in progress	55,161	67,546
	858,685	759,680
Less accumulated depreciation and amortization	251,401	227,973
	607,284	531,707
Other assets, net	129,126	129,459
	$ 833,644	$ 743,588

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 1,695	$ 1,685
Accounts payable	44,180	52,086
Accrued liabilities	183,151	171,974
Total current liabilities	229,026	225,745
Long-term debt, net of current maturities	303,456	320,050
Other long-term liabilities	75,270	58,466
Deferred income taxes	8,055	2,347
Stockholders' equity:		
Preferred stock	–	–
Common stock $.01 par value, 75,000,000 authorized, 41,105,434 and 40,756,899 issued, respectively	411	408
Capital in excess of par value	290,336	285,940
Accumulated deficit	(38,447)	(114,905)
Treasury stock, at cost, 2,828,974 shares	(34,463)	(34,463)
Total stockholders' equity	217,837	136,980
	$ 833,644	$ 743,588

See accompanying notes to consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)

	FISCAL YEAR		
	1999	1998	1997
Revenues:			
Restaurant sales	$ 1,372,899	$ 1,112,005	$ 986,583
Distribution and other sales	41,828	26,407	45,233
Franchise rents and royalties	39,863	35,904	35,426
Other	2,309	49,740	4,500
	1,456,899	1,224,056	1,071,742
Costs and expenses:			
Costs of revenues:			
Restaurant costs of sales	432,231	353,534	322,377
Restaurant operating costs	646,815	549,221	478,747
Costs of distribution and other sales	41,217	25,821	44,978
Franchised restaurant costs	22,732	23,043	23,619
Selling, general and administrative	164,297	134,926	116,459
Interest expense	28,249	33,058	40,359
	1,335,541	1,119,603	1,026,539
Earnings before income taxes and extraordinary item	121,358	104,453	45,203
Income taxes	44,900	33,400	9,900
Earnings before extraordinary item	76,458	71,053	35,303
Extraordinary item – loss on early extinguishment of debt, net of taxes	–	(4,378)	(1,252)
Net earnings	$ 76,458	$ 66,675	$ 34,051
Earnings per share – basic:			
Earnings before extraordinary item	$ 2.00	$ 1.82	$ .91
Extraordinary item	–	(.11)	(.03)
Net earnings per share	$ 2.00	$ 1.71	$ .88
Earnings per share – diluted:			
Earnings before extraordinary item	$ 1.95	$ 1.77	$ .89
Extraordinary item	–	(.11)	(.03)
Net earnings per share	$ 1.95	$ 1.66	$ .86
Weighted average shares outstanding:			
Basic	38,144	39,092	38,933
Diluted	39,281	40,113	39,776

See accompanying notes to consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	FISCAL YEAR		
	1999	1998	1997
Cash flows from operating activities:			
Net earnings before extraordinary item	$ 76,458	$ 71,053	$ 35,303
Non-cash items included in operations:			
Depreciation and amortization	45,857	40,201	37,922
Deferred finance cost amortization	1,794	1,913	2,036
Deferred income taxes	5,708	585	(7,017)
Decrease (increase) in receivables	4,549	(3,223)	2,000
Decrease (increase) in inventories	(2,220)	361	2,550
Increase in prepaid expenses	(3,049)	(1,184)	(1,324)
Increase (decrease) in accounts payable	(7,906)	12,511	10,282
Increase in other accrued liabilities	35,537	25,925	39,218
Cash flows provided by operating activities	156,728	148,142	120,970
Cash flows from investing activities:			
Additions to property and equipment	(134,333)	(111,098)	(59,660)
Dispositions of property and equipment	12,172	5,431	3,357
Increase in trading area rights	(3,864)	(6,763)	(5,553)
Decrease (increase) in assets held for sale	(13,119)	2,337	(21,494)
Other	(4,024)	(8,358)	(1,401)
Cash flows used in investing activities	(143,168)	(118,451)	(84,751)
Cash flows from financing activities:			
Principal payments on long-term debt, including current maturities	(9,833)	(251,504)	(51,817)
Proceeds from issuance of long-term debt	4,347	127,690	950
Borrowings under revolving bank loans	334,000	224,500	–
Principal repayments under revolving bank loans	(345,500)	(127,000)	–
Extraordinary loss on retirement of debt, net of taxes	–	(4,378)	(1,252)
Repurchase of common stock	–	(20,000)	–
Proceeds from issuance of common stock	4,399	2,426	2,444
Cash flows used in financing activities	(12,587)	(48,266)	(49,675)
Net increase (decrease) in cash and cash equivalents	$ 973	$ (18,575)	$ (13,456)
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 26,873	$ 30,551	$ 38,759
Income tax payments	26,451	28,519	7,179

See accompanying notes to consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in thousands, except per share data)

	COMMON STOCK		CAPITAL IN			
	NUMBER OF		EXCESS OF	ACCUMULATED	TREASURY	
	SHARES	AMOUNT	PAR VALUE	DEFICIT	STOCK	TOTAL
Balance at September 29, 1996	40,253,179	$ 403	$ 281,075	$ (215,631)	$ (14,463)	$ 51,384
Exercise of stock options and warrants	256,290	2	1,711	–	–	1,713
Tax benefit associated with exercise of stock options	–	–	731	–	–	731
Net earnings	–	–	–	34,051	–	34,051
Balance at September 28, 1997	40,509,469	405	283,517	(181,580)	(14,463)	87,879
Exercise of stock options and warrants	247,430	3	1,701	–	–	1,704
Tax benefit associated with exercise of stock options	–	–	722	–	–	722
Purchases of treasury stock	–	–	–	–	(20,000)	(20,000)
Net earnings	–	–	–	66,675	–	66,675
Balance at September 27, 1998	40,756,899	408	285,940	(114,905)	(34,463)	136,980
Exercise of stock options and warrants	348,535	3	2,733	–	–	2,736
Tax benefit associated with exercise of stock options	–	–	1,663	–	–	1,663
Net earnings	–	–	–	76,458	–	76,458
Balance at October 3, 1999	41,105,434	$ 411	$ 290,336	$ (38,447)	$ (34,463)	$ 217,837

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations – On October 4, 1999, Foodmaker, Inc. changed its name to Jack in the Box Inc. (the "Company"). The Company operates and franchises Jack in the Box quick-serve restaurants with operations principally in the western and southwestern United States.

Basis of presentation and fiscal year – The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions are eliminated. Certain prior year amounts in the consolidated financial statements have been reclassified to conform with the 1999 presentation. The Company's fiscal year is 52 or 53 weeks ending the Sunday closest to September 30. The financial statements include the accounts of the Company for and as of the 53 weeks ended October 3, 1999, and 52 weeks ended September 27, 1998 and September 28, 1997.

Financial instruments – The fair value of the Company's cash equivalents, accounts receivable and accounts payable approximate the carrying amounts due to their short maturities. The fair values of each of the Company's long-term debt instruments are based on quoted market values, where available, or on the amount of future cash flows associated with each instrument discounted using the Company's current borrowing rate for similar debt instruments of comparable maturity. The estimated fair values of the Company's long-term debt at October 3, 1999 and September 27, 1998 approximate carrying values.

The Company uses commodities hedging instruments to reduce the risk of price fluctuations related to future raw materials requirements for commodities such as beef and pork. The terms of such instruments generally do not exceed twelve months, and depend on the commodity and other market factors. Gains and losses are deferred and subsequently recorded as cost of products sold in the statement of earnings in the same period as the hedged transactions.

The Company uses interest rate swap agreements in the management of interest rate exposure. The interest rate differential to be paid or received is normally accrued as interest rates change, and is recognized as a component of interest expense over the life of the agreements. At October 3, 1999, the Company had a $25 million notional amount interest rate swap agreement expiring in June 2001. This agreement effectively converts a portion of the Company's variable rate bank debt to fixed rate debt and has a pay rate of 6.63%.

At October 3, 1999, the Company had no other material financial instruments subject to significant market exposure.

Cash and cash equivalents – The Company invests cash in excess of operating requirements in short term, highly liquid investments with original maturities of three months or less, which are considered cash equivalents.

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

Assets held for sale primarily represent the costs for new sites that will be sold and leased back when construction is completed, as well as costs for buildings on lessor owned land for which the Company will be reimbursed by lessor at the conclusion of construction. Gains and losses realized on the sale leaseback transactions are deferred and credited to income over the lease terms. The leases are classified in accordance with Statement of Financial Accounting Standards ("SFAS") No. 13, *Accounting for Leases.*

Preopening costs are those typically associated with the opening of a new restaurant and consist primarily of employee training costs. Preopening costs are expensed as incurred.

Property and equipment at cost – Expenditures for new facilities and equipment and those that substantially increase the useful lives of the property are capitalized. Facilities leased under capital leases are stated at the present value of minimum lease payments at the beginning of the lease term, not to exceed fair value. Maintenance repairs, and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and gains or losses on the dispositions are reflected in results of operations.

Buildings, equipment and leasehold improvements are depreciated using the straight-line method based on the estimated useful lives of the assets or over the lease term for certain capital leases (buildings 15 to 33 years and equipment 3 to 30 years).

Other assets primarily include trading area rights, lease acquisition costs, deferred franchise contract costs, deferred finance costs and goodwill. Trading area rights represent the amount allocated under purchase accounting to reflect the value of operating existing restaurants within their specific trading area. These rights are amortized on a straight-line basis over the period of control of the property, not exceeding 40 years, and are retired when a restaurant is franchised or sold.

Lease acquisition costs represent the acquired values of existing lease contracts having lower contractual rents than fair market rents and are amortized over the remaining lease term.

Also included in other assets are deferred franchise contract costs which represent the acquired value of franchise contracts in existence at the time the Company was acquired in 1988 and are amortized over the term of the franchise agreement, usually 20 years; deferred finance costs which are amortized using the interest method over the terms of the respective loan agreements, from 4 to 10 years; and goodwill which represents the excess of purchase price over the fair value of net assets acquired and is amortized on a straight-line basis over 40 years.

Impairment of Long-Lived Assets – In accordance with SFAS 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,* the Company evaluates impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. The Company also accounts for long-lived assets that are held for disposal at the lower of cost or fair value.

Franchise operations – Franchise arrangements generally provide for initial license fees of $50 (formerly $25) per restaurant and continuing payments to the Company based on a percentage of sales. Among other things, the franchisee may be provided the use of land and building, generally for a period of 20 years, and is required to pay negotiated rent, property taxes, insurance and maintenance. Franchise fees are recorded as revenue when the Company has substantially performed all of its contractual obligations. Expenses associated with the issuance of the franchise are expensed as incurred. Franchise rents and royalties are recorded as income on an accrual basis. Gains on sales of restaurant businesses to franchisees, which have not been material, are recorded as other revenues when the sales are consummated and certain other criteria are met.

Income taxes – Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as tax loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)
(continued)

Net earnings per share – The consolidated financial statements are presented in accordance with SFAS 128, *Earnings per Share*. SFAS 128 requires the presentation of basic earnings per share, computed using the weighted average number of shares outstanding during the period, and diluted earnings per share, computed using the additional dilutive effect of all potential common stock. The diluted earnings per share computation includes the dilutive impact of stock options and warrants.

Stock options – The Company accounts for stock options under the intrinsic value based method, as prescribed by Accounting Principles Board ("APB") Opinion No. 25, whereby compensation expense is recognized for the excess, if any, of the quoted market price of the Company stock at the date of grant over the option price. The Company's policy is to grant stock options at fair value at the date of grant. The Company has included pro forma information in Note 7, as permitted by SFAS 123, *Accounting for Stock-Based Compensation.*

Advertising costs – The Company maintains a marketing fund consisting of funds contributed by the Company equal to at least 5% of gross sales of all Company-operated Jack in the Box restaurants and contractual marketing fees paid monthly by franchisees. Production costs of commercials, programming and other marketing activities are expensed to the marketing fund when the advertising is first used and the costs of advertising are charged to operations as incurred. The Company's contributions to the marketing fund and other marketing expenses, which are included in selling, general and administrative expenses in the accompanying consolidated statements of earnings, were $70,297, $58,256 and $51,870 in 1999, 1998 and 1997, respectively.

Segment reporting – In 1999, the Company adopted SFAS 131, *Disclosures about Segments of an Enterprise and Related Information,* which establishes reporting standards for a company's operating segments and related disclosures about its products, services, geographic areas and major customers. An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, and about which separate financial information is regularly evaluated by the chief operating decision maker in deciding how to allocate resources. This Statement allows aggregation of similar operating segments into a single operating segment if the businesses are considered similar under the criteria of this Statement. The Company believes it operates in a single segment.

Estimations – In preparing the consolidated financial statements in conformity with generally accepted accounting principles, management is required to make certain assumptions and estimates that affect reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingencies. In making these assumptions and estimates, management may from time to time seek advice from and consider information provided by actuaries and other experts in a particular area. Actual amounts could differ from these estimates.

In 1999, the Company reduced accrued liabilities and restaurant operating costs by $18.0 million, primarily due to a change in estimates resulting from improvements to its loss prevention and risk management programs, which have been more successful than anticipated. This change in estimates was supported by an independent actuarial study conducted to evaluate the self-insured portion of the Company's workers' compensation, general liability and other insurance programs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)
(continued)

2. LONG-TERM DEBT

	1999	1998
The detail of long-term debt at each year end follows:		
Bank loans, variable interest rate based on established market indicators which approximate the prime rate or less	$ 86,000	$ 97,500
Senior subordinated notes, 8 3/8% interest, net of discount of $179 and $200, respectively, reflecting an 8.4% effective interest rate due April 15, 2008, redeemable beginning April 15, 2003	124,821	124,800
Financing lease obligations, net of discounts of $1,413 and $1,794 reflecting a 10.3% effective interest rate, semi-annual payments of $3,413 and $747 to cover interest and sinking fund requirements, and due in equal installments January 1, 2003 and November 1, 2003, respectively	68,587	68,206
Secured notes, 11 1/2% interest, due in monthly installments through May 1, 2005	7,011	7,931
Secured notes, 9 1/2% interest, due August 1, 2017, repaid in 1999	–	8,171
Capitalized lease obligations, 11% average interest rate	16,842	13,529
Other notes, principally unsecured, 10% average interest rate	1,890	1,598
	305,151	321,735
Less current portion	1,695	1,685
	$ 303,456	$ 320,050

On April 1, 1998, the Company entered into a revolving bank credit agreement, which expires March 31, 2003 and provides for a credit facility of up to $175 million, including letters of credit of up to $25 million. The credit agreement requires the payment of an annual commitment fee of approximately .2% of the unused credit line. At October 3, 1999, the Company had borrowings of $86.0 million and approximately $81.1 million of availability under the agreement.

Beginning in September 1997, the Company initiated a refinancing plan to reduce and restructure its debt. At that time, the Company prepaid $50 million of its 9 1/4% senior notes due 1999 using available cash. The retirement of these notes resulted in an extraordinary loss of $1,602, less income tax benefits of $350, on the early extinguishment of the debt. In 1998, the Company repaid the remaining $125 million of its 9 1/4% senior notes and all $125 million of its 9 3/4% senior subordinated notes due 2002, and incurred an extraordinary loss of $6,978, less income tax benefits of $2,600, relating to the early extinguishment of the debt.

In order to fund these repayments, the Company completed, on April 14, 1998, a private offering of $125 million of 8 3/8% senior subordinated notes due 2008, redeemable beginning 2003. Additional funding sources included available cash, as well as bank borrowings under the new bank credit facility. The Company is subject to a number of covenants under its various credit agreements, including limitations on additional borrowings, capital expenditures, lease commitments and dividend payments, and requirements to maintain certain financial ratios, cash flows and net worth. The secured notes and bank loans are secured by substantially all the Company's real and personal property. In addition, certain of the Company's real estate and equipment secure other indebtedness.

In January 1994, the Company entered into financing lease arrangements with two limited partnerships (the "Partnerships"), in which interests in 76 restaurants for a specified period of time were sold. The acquisition of the properties, including costs and expenses, was funded through the issuance by a special purpose corporation acting as agent for the Partnerships of $70 million of senior secured notes. On January 1, 2003 and November 1, 2003, the Company must make offers to reacquire 50% of the properties at each date at a price which is sufficient, in conjunction with previous sinking fund deposits, to retire the notes. If the Partnerships reject the offers, the Company may purchase the properties at less than fair market value or cause the Partnerships to fund the remaining principal payments on the notes and, at the Company's option, cause the Partnerships to acquire the Company's residual interest in the properties. If the Partnerships are allowed to retain their interests, the Company has available options to extend the leases for total terms of up to 35 years, at which time the ownership of the property will revert to the Company. The transactions are reflected as financings with the properties remaining in the Company's consolidated financial statements.

Aggregate maturities and sinking fund requirements on all long-term debt are $3,190, $3,446, $3,668, $110,691 and $37,598 for the years 2000 through 2004, respectively. The 2003 amount is net of $12,706 of accumulated sinking fund payments.

Interest capitalized during the construction period of restaurants was $1,469, $1,203 and $683 in 1999, 1998 and 1997, respectively.

3. LEASES

As Lessee – The Company leases restaurant and other facilities under leases having terms expiring at various dates through 2054. The leases generally have renewal clauses of 5 to 20 years exercisable at the option of the Company and, in some instances, have provisions for contingent rentals based upon a percentage of defined revenues. Total rent expense for all operating leases was $108,700, $94,275 and $84,964, including contingent rentals of $6,066, $4,561 and $4,513 in 1999, 1998 and 1997, respectively.

Future minimum lease payments under capital and operating leases are as follows:

FISCAL YEAR	CAPITAL LEASES	OPERATING LEASES
2000	$ 2,240	$ 95,250
2001	2,223	93,495
2002	2,221	91,030
2003	2,222	88,817
2004	2,222	86,234
Thereafter	20,304	584,337
Total minimum lease payments	31,432	$ 1,039,163
Less amount representing interest	14,590	
Present value of obligations under capital leases	16,842	
Less current portion	613	
Long-term capital lease obligations	$ 16,229	

Building assets recorded under capital leases were $15,466 and $12,301, net of accumulated depreciation of $5,470 and $4,790, as of October 3, 1999 and September 27, 1998, respectively.

As Lessor – The Company leases or subleases restaurants to certain franchisees and others under agreements which generally provide for the payment of percentage rentals in excess of stipulated minimum rentals, usually for a period of 20 years. Total rental revenue was $25,134, $22,747 and $22,624, including contingent rentals of $9,655, $6,976 and $6,744 in 1999, 1998 and 1997, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)
(continued)

The minimum rents receivable under these non-cancelable leases are as follows:

FISCAL YEAR	SALES-TYPE LEASES	OPERATING LEASES
2000	$ 44	$ 20,303
2001	44	17,757
2002	44	16,340
2003	44	14,314
2004	45	12,697
Thereafter	85	53,187
Total minimum future rentals	306	$ 134,598
Less amount representing interest	89	
Net investment (included in other assets)	$ 217	

Land and building assets held for lease were $44,962 and $55,285, net of accumulated depreciation of $20,814 and $20,157, as of October 3, 1999 and September 27, 1998, respectively.

4. INCOME TAXES

The fiscal year income taxes consist of the following:

	1999	1998	1997
Federal – current	$ 31,227	$ 24,618	$ 12,222
– deferred	6,709	3,707	(6,248)
State – current	7,965	5,597	4,345
– deferred	(1,001)	(3,122)	(769)
Subtotal	44,900	30,800	9,550
Income tax benefit of extraordinary item	–	2,600	350
Income taxes	$ 44,900	$ 33,400	$ 9,900

A reconciliation of fiscal year income taxes with the amounts computed at the statutory federal rate of 35% follows:

	1999	1998	1997
Computed at federal statutory rate	$ 42,475	$ 36,559	$ 15,821
State income taxes, net of federal effect	4,526	1,609	2,324
Jobs tax credit wages	(1,281)	(861)	(180)
Reduction to valuation allowance	(1,842)	(4,581)	(10,816)
Adjustment of tax loss, contribution and tax credit carryforwards	425	584	1,986
Other, net	597	90	765
	$ 44,900	$ 33,400	$ 9,900

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)
(continued)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at each year end are presented below:

	1999	1998
Deferred tax assets:		
Tax loss and tax credit carryforwards	$ 25,123	$ 36,867
Accrued insurance	15,377	18,610
Accrued pension and postretirement benefits	13,296	12,756
Accrued vacation pay expense	7,686	7,019
Other reserves and allowances	7,422	7,586
Deferred income	9,819	4,282
Other, net	8,515	5,842
Total gross deferred tax assets	87,238	92,962
Less valuation allowance	26,965	29,815
Net deferred tax assets	60,273	63,147
Deferred tax liabilities:		
Property and equipment, principally due to differences in depreciation	57,776	53,203
Intangible assets	10,552	12,291
Total gross deferred tax liabilities	68,328	65,494
Net deferred tax liability	$ 8,055	$ 2,347

The valuation allowance of $26,965 as of October 3, 1999 and $29,815 as of September 27, 1998 represents deferred tax assets that may not be realized by the reversal of future taxable differences. The net change in the valuation allowance was a decrease of $2,850 for fiscal year 1999 and a decrease of $4,581 for fiscal year 1998. These decreases related to the expected future use of tax credit carryforwards and deferred tax assets, and actual use of tax loss carryforwards. Management believes it is more likely than not that the net deferred tax assets will be realized through future taxable income or alternative tax strategies.

At October 3, 1999, the Company had tax loss carryforwards which expire in 2001.

From time to time, the Company may take positions for filing its tax returns which may differ from the treatment of the same item for financial reporting purposes. The ultimate outcome of these items will not be known until such time as the U.S. Internal Revenue Service ("IRS") has completed its examination or until the statute of limitations has expired. As of October 3, 1999, the IRS had completed its examinations of the Company's federal income tax returns through fiscal year 1995.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)
(continued)

5. RETIREMENT, SAVINGS AND BONUS PLANS

The Company has non-contributory defined benefit pension plans covering substantially all salaried and hourly employees meeting certain eligibility requirements. These plans are subject to modification at any time. The plans provide retirement benefits based on years of service and compensation. It is the Company's practice to fund retirement costs as necessary.

	QUALIFIED PLANS		NON–QUALIFIED PLAN	
	1999	1998	1999	1998
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 65,369	$ 52,728	$ 16,294	$ 12,829
Service cost	4,744	3,116	408	342
Interest cost	4,541	4,047	1,153	1,006
Actuarial (gain) loss	(4,192)	6,759	(24)	2,539
Benefits paid	(1,520)	(1,281)	(440)	(422)
Benefit obligation at end of year	$ 68,942	$ 65,369	$ 17,391	$ 16,294
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 55,454	$ 50,916	$ –	$ –
Actual return on plan assets	2,214	3,699	–	–
Employer contributions	4,704	2,120	440	422
Benefits paid	(1,520)	(1,281)	(440)	(422)
Fair value of plan assets at end of year	$ 60,852	$ 55,454	$ –	$ –
Reconciliation of funded status:				
Funded status	$ (8,090)	$ (9,915)	$(17,392)	$(16,294)
Unrecognized net loss	8,026	9,628	2,665	2,795
Unrecognized prior service cost	(138)	(173)	4,431	4,899
Unrecognized net transition asset	19	28	58	84
Net liability recognized	$ (183)	$ (432)	$(10,238)	$ (8,516)
Amounts recognized in the statement of financial position consist of:				
Prepaid benefit cost	$ –	$ 22	$ –	$ –
Accrued benefit liability	(183)	(454)	(13,599)	(11,764)
Intangible asset	–	–	3,361	3,248
Net liability recognized	$ (183)	$ (432)	$(10,238)	$ (8,516)

In determining the present values of benefit obligations, the Company's actuaries assumed discount rates of 7.50% and 7.00% at the measurement dates of June 30, 1999 and 1998, respectively. The assumed rate of increase in compensation levels was 4% for the qualified plans and 5% for the non-qualified plan in 1999 and 1998, respectively. The long-term rate of return on assets was 8.5% in both years. Assets of the qualified plans consist primarily of listed stocks and bonds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)
(continued)

The components of the fiscal year net defined benefit pension cost are as follows:

	QUALIFIED PLANS			NON-QUALIFIED PLAN		
	1999	1998	1997	1999	1998	1997
Service cost	$ 4,744	$ 3,116	$ 2,839	$ 408	$ 342	$ 230
Interest cost	4,541	4,047	3,657	1,153	1,006	680
Expected return on plan assets	(5,257)	(4,458)	(3,595)	–	–	–
Net amortization	426	(26)	256	601	495	259
Net periodic pension cost	$ 4,454	$ 2,679	$ 3,157	$ 2,162	$ 1,843	$ 1,169

The Company maintains a savings plan pursuant to Section 401(k) of the Internal Revenue Code, which allows administrative and clerical employees who have satisfied the service requirements and reached age 21, to defer from 2% to 12% of their pay on a pre-tax basis. The Company contributes an amount equal to 50% of the first 4% of compensation that is deferred by the participant. The Company's contributions under this plan were $1,328, $1,141 and $1,138 in 1999, 1998 and 1997, respectively. The Company also maintains an unfunded, non-qualified deferred compensation plan, which was created in 1990 for key executives and other members of management who were then excluded from participation in the qualified savings plan. This plan allows participants to defer up to 15% of their salary on a pre-tax basis. The Company contributes an amount equal to 100% of the first 3% contributed by the employee. The Company's contributions under the non-qualified deferred compensation plan were $481, $372 and $324 in 1999, 1998 and 1997, respectively. In each plan, a participant's right to Company contributions vests at a rate of 25% per year of service.

The Company maintains a bonus plan that allows certain officers and management of the Company to earn annual bonuses based upon achievement of certain financial and performance goals approved by the compensation committee of the Company's Board of Directors. Under this plan, $6,390, $3,834 and $3,493 was expensed in 1999, 1998 and 1997, respectively.

The Company maintains a deferred compensation plan for non-management directors. Under the plan's equity option, those who are eligible to receive directors' fees or retainers may choose to defer receipt of their compensation. The amounts deferred are converted into stock equivalents at the then current market price of the Company's common stock. The Company provides a deferment credit equal to 25% of the compensation initially deferred. Under this plan, a total of $562, $262 and $835 was expensed in 1999, 1998 and 1997, respectively, for both the deferment credit and the stock appreciation on the deferred compensation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)
(continued)

6. POSTRETIREMENT BENEFIT PLAN

The Company sponsors a health care plan that provides postretirement medical benefits for employees who meet minimum age and service requirements. The plan is contributory, with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. The Company's policy is to fund the cost of medical benefits in amounts determined at the discretion of management.

	1999	1998
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 16,270	$ 13,201
Service cost	638	517
Interest cost	1,137	1,021
Actuarial (gain) loss	(1,370)	1,499
Benefits paid	(210)	32
Benefit obligation at end of year	$ 16,465	$ 16,270
Change in plan assets:		
Fair value of plan assets at beginning of year	$ –	$ –
Employer contributions	177	71
Benefits paid	(177)	(71)
Fair value of plan assets at end of year	$ –	$ –
Reconciliation of funded status:		
Funded status	$ (16,465)	$ (16,270)
Unrecognized net gain	(1,965)	(352)
Net liability recognized	$ (18,430)	$ (16,622)

All of the net liability recognized in the reconciliation of funded status is included as an accrued benefit liability in the statements of financial position.

In determining the above information, the Company's actuaries assumed a discount rate of 7.5% and 7.0% at the measurement dates of June 30, 1999 and 1998, respectively.

The components of the fiscal year net periodic postretirement benefit cost are as follows:

	1999	1998	1997
Service cost	$ 638	$ 517	$ 530
Interest cost	1,137	1,021	913
Net amortization	–	(88)	(120)
Net periodic pension cost	$ 1,775	$ 1,450	$ 1,323

For measurement purposes, an 8.0% annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) was assumed for 2000 for plan participants under age 65; the rate was assumed to decrease .5% per year to 5.0% by the year 2006 and remain at that level thereafter. For plan participants age 65 years or older, a 6.0% annual health care cost trend rate was assumed for 2000; the rate was assumed to decrease .5% per year to 4.0% by the year 2004 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of October 3, 1999 by $3,440, or 21%, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 1999 by $417 or 23%.

7. STOCK OPTIONS

The Company offers stock option plans to attract, retain and motivate key officers, non-employee directors and employees by providing for or increasing the proprietary interests of such persons to work toward the future financial success of the Company.

In January 1992, the Company adopted the 1992 Employee Stock Incentive Plan (the “1992 Plan”) and, as part of a merger, assumed outstanding options to employees under its predecessor’s 1990 Stock Option Plan and assumed contractually the options to purchase 42,750 shares of common stock granted to two non-employee directors of the Company. Under the 1992 Plan, employees are eligible to receive stock options, restricted stock and other various stock-based awards. Subject to certain adjustments, up to a maximum of 3,775,000 shares of common stock may be sold or issued under the 1992 Plan. No awards shall be granted after January 16, 2002, although stock may be issued thereafter pursuant to awards granted prior to such date.

In August 1993, the Company adopted the 1993 Stock Option Plan (the “1993 Plan”). Under the 1993 Plan, employees who do not receive stock options under the 1992 Plan are eligible to receive annually stock options with an aggregate exercise price equivalent to a percentage of their eligible earnings. Subject to certain adjustments, up to a maximum of 3,000,000 shares of common stock may be sold or issued under the 1993 Plan. No awards shall be granted after December 11, 2003, although common stock may be issued thereafter pursuant to awards granted prior to such date.

In February 1995, the Company adopted the Non-Employee Director Stock Option Plan (the “Director Plan”). Under the Director Plan, any eligible director of the Company who is not an employee of the Company or a subsidiary of the Company is granted annually an option to purchase shares of common stock at fair market value. The actual number of shares that may be purchased under the option is based on the relationship of a portion of each director’s compensation to the fair market value of the common stock, but is limited to fewer than 10,000 shares. Subject to certain adjustments, up to a maximum of 650,000 shares of common stock may be sold or issued under the Director Plan. Unless sooner terminated, no awards shall be granted after February 17, 2005, although common stock may be issued thereafter pursuant to awards granted prior to such date.

The terms and conditions of the stock-based awards under the plans are determined by a committee of the Board of Directors on each award date and may include provisions for the exercise price, expirations, vesting, restriction on sales and forfeiture, as applicable. Options granted under the plans have terms not exceeding 11 years and provide for an option exercise price of not less than 100% of the quoted market value of the common stock at the date of grant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)
(continued)

The following is a summary of stock option activity for the three fiscal years ended October 3, 1999:

		OPTION EXERCISE PRICE PER SHARE	
	SHARES	RANGE	WEIGHTED AVERAGE
Balance at September 29, 1996	2,712,587	$ .96-12.25	$ 6.52
Granted	807,165	10.13-12.63	12.35
Exercised	(251,640)	.96-12.25	6.76
Canceled	(111,078)	5.75-12.63	8.77
Balance at September 28, 1997	3,157,034	.96-12.63	7.90
Granted	761,046	17.44-19.06	18.93
Exercised	(198,200)	1.13-12.63	8.27
Canceled	(108,759)	5.75-19.06	11.37
Balance at September 27, 1998	3,611,121	.96-19.06	10.10
Granted	655,541	13.56-26.63	26.24
Exercised	(297,148)	.96-19.06	9.00
Canceled	(105,801)	5.75-26.63	15.27
Balance at October 3, 1999	3,863,713	.96-26.63	12.78

The following is a summary of stock options outstanding at October 3, 1999:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$ .96-4.19	533,570	1.87	$ 1.29	533,570	$ 1.29
5.00-7.50	828,402	6.29	6.52	716,711	6.41
8.13-12.13	838,358	4.98	10.95	838,358	10.95
12.25-19.06	1,022,763	8.78	16.85	344,370	15.71
24.13-26.63	640,620	10.18	26.35	70,000	24.13
.96-26.63	3,863,713	6.70	12.78	2,503,009	8.62

At October 3, 1999, September 27, 1998 and September 28, 1997, the number of options exercisable were 2,503,009, 2,239,930 and 1,835,341, respectively and the weighted average exercise price of those options were $8.62, $7.32 and $6.40, respectively.

Effective fiscal year 1997, the Company adopted the disclosure requirements of SFAS 123. As permitted under this Statement, the Company will continue to measure stock-based compensation cost using its current “intrinsic value” accounting method.

For purposes of the following pro forma disclosures required by SFAS 123, the fair value of each option granted after fiscal 1995 has been estimated on the date of grant using the Black-Scholes option-pricing model. Valuation models require the input of highly subjective assumptions, including the expected volatility of the stock price. Therefore, in management's opinion, the existing models do not provide a reliable single measure of the value of employee stock options. The following assumptions were used for grants: risk-free interest rates of 5.5%, 5.7% and 6.4% in 1999, 1998 and 1997, respectively; expected volatility of 35%, 34% and 35%, respectively; and an expected life of 6 years in each year. The Company has not paid any cash or other dividends and does not anticipate paying dividends in the foreseeable future, therefore the expected dividend yield is zero.

The weighted average fair value of options granted was $11.58 in 1999, $8.32 in 1998 and $5.80 in 1997. Had compensation expense been recognized for stock-based compensation plans in accordance with provisions of SFAS 123, the Company would have recorded net earnings of $74,391, or $1.95 per basic share and $1.89 per diluted share, in 1999; $65,011, or $1.66 per basic share and $1.62 per diluted share, in 1998; and $33,211, or $.85 per basic share and $.83 per diluted share, in 1997.

For the pro forma disclosures, the options' estimated fair values were amortized over their vesting periods. The pro forma disclosures do not include a full five years of grants since SFAS 123 does not apply to grants before 1995. Therefore, these pro forma amounts are not indicative of anticipated future disclosures.

8. STOCKHOLDERS' EQUITY

The Company has 15,000,000 shares of preferred stock authorized for issuance at a par value of $.01 per share. No shares have been issued.

On July 26, 1996, the Board of Directors declared a dividend of one preferred stock purchase right (a "Right") for each outstanding share of the Company's common stock, which Rights expire on July 26, 2006. Each Right entitles a stockholder to purchase for an exercise price of $40, subject to adjustment, one one-hundredth of a share of Series A Junior Participating Cumulative Preferred Stock of the Company, or, under certain circumstances, shares of common stock of the Company or a successor company with a market value equal to two times the exercise price. The Rights would only become exercisable for all other persons when any person has acquired or commences to acquire a beneficial interest of at least 20% of the Company's outstanding common stock. The Rights have no voting privileges and may be redeemed by the Board of Directors at a price of $.001 per Right at any time prior to or shortly after the acquisition of a beneficial ownership of 20% of the outstanding common shares. There are 382,765 shares of Series A Junior Participating Cumulative Preferred Stock reserved for issuance upon exercise of the Rights.

In conjunction with the December 1988 acquisition of the Company, warrants expiring November 30, 1998 for the purchase of 1,584,573 shares of common stock were issued and were exercisable at $.93 per share, as adjusted. As of the date of expiration, warrants for 1,583,343 shares had been exercised and the remaining warrants were canceled.

At October 3, 1999, the Company had 6,446,659 shares of common stock reserved for issuance upon the exercise of stock options.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)
(continued)

9. AVERAGE SHARES OUTSTANDING

Fiscal year net earnings per share is based on the weighted average number of shares outstanding during the year, determined as follows:

	1999	1998	1997
Shares outstanding, beginning of fiscal year	37,927,925	39,096,815	38,840,525
Effect of common stock issued	215,635	144,739	92,081
Effect of common stock reacquired	–	(150,047)	–
Weighted average shares outstanding – basic	38,143,560	39,091,507	38,932,606
Assumed additional shares issued upon exercise of stock options and warrants, net of shares reacquired at the average market price	1,136,949	1,021,378	843,638
Weighted average shares outstanding – diluted	39,280,509	40,112,885	39,776,244

The diluted weighted average shares outstanding computation excludes 345,040, 290,042 and 306,302 antidilutive shares in 1999, 1998 and 1997, respectively.

10. CONTINGENCIES AND LEGAL MATTERS

In 1998, the Company settled litigation it filed against various meat suppliers seeking reimbursement for all damages, costs and expenses incurred in connection with food-borne illness attributed to hamburgers served at Jack in the Box restaurants in 1993. The Company received in its second quarter of fiscal 1998 approximately $58.5 million in the settlement, of which a net of approximately $45.8 million was realized after litigation costs and before income taxes (the “Litigation Settlement”). The net Litigation Settlement is reflected in other income in 1998.

On February 2, 1995, an action by Concetta Jorgensen was filed against the Company in the U.S. District Court in San Francisco, California alleging that restrooms at a Jack in the Box restaurant failed to comply with laws regarding disabled persons and seeking damages in unspecified amounts, punitive damages, injunctive relief, attorneys’ fees and prejudgment interest. In an amended complaint, damages were also sought on behalf of all physically disabled persons who were allegedly denied access to restrooms at the restaurant. In February 1997, the Court ordered that the action for injunctive relief proceed as a nationwide class action on behalf of all persons in the United States with mobility disabilities. The Company has reached agreement on settlement terms both as to the individual plaintiff Concetta Jorgensen and the claims for injunctive relief, and the settlement agreement has been approved by the U.S. District Court. The settlement requires the Company to make access improvements at Company-operated restaurants to comply with the standards set forth in the Americans with Disabilities Act (“ADA”) Access Guidelines. The settlement requires compliance at 85% of the Company-operated restaurants by April 2001 and for the balance of Company-operated restaurants by October 2005. The Company has agreed to make modifications to its restaurants to improve accessibility and anticipates investing an estimated $19 million in capital improvements in connection with these modifications, including approximately $5 million spent through October 3, 1999. Similar claims have been made against Jack in the Box franchisees and the Company relating to franchised locations which may not be in compliance with the ADA. The relief sought is (i) injunctive relief to bring these additional restaurants into compliance with the ADA, (ii) monitoring expenses to ensure compliance and (iii) attorneys’ fees.

On November 5, 1996, an action was filed by the National JIB Franchisee Association, Inc. (the "Franchisee Association") and several of the Company's franchisees in the Superior Court of California, County of San Diego in San Diego, California, against the Company and others. The lawsuit alleged that certain Company policies are unfair business practices and violate sections of the California Corporations Code regarding material modifications of franchise agreements and interfere with franchisees' right of association. It sought injunctive relief, a declaration of the rights and duties of the parties, unspecified damages and rescission of alleged material modifications of plaintiffs' franchise agreements. The complaint contained allegations of fraud, breach of a fiduciary duty and breach of a third party beneficiary contract in connection with certain payments that the Company received from suppliers and sought unspecified damages, interest, punitive damages and an accounting. However, on August 31, 1998, the Court granted the Company's request for summary judgment on all claims regarding an accounting, conversion, fraud, breach of fiduciary duty and breach of third party beneficiary contracts. On March 10, 1999, the Court granted motions by the Company, ruling, in essence, that the franchisees would be unable to prove their remaining claims. On April 22, 1999, the Court entered an order granting the Company's motion to enforce a settlement with the Franchisee Association covering various aspects of the franchise relationship, but involving no cash payments by the Company. In accordance with that order, the Franchisee Association's claims were dismissed with prejudice. On June 10, 1999, a final judgment was entered in favor of the Company and against those plaintiffs with whom the Company did not settle. The Franchisee Association and certain individual plaintiffs filed an appeal on August 13, 1999. Management intends to vigorously defend the appeal.

On December 10, 1996, a suit was filed by the Company's Mexican licensee, Foodmex, Inc., in the U.S. District Court in San Diego, California against the Company and its international franchising subsidiary. Foodmex formerly operated several Jack in the Box franchise restaurants in Mexico, but its licenses were terminated by the Company for, among other reasons, chronic insolvency and failure to meet operational standards. The Foodmex suit alleged wrongful termination of its master license, breach of contract and unfair competition and sought an injunction to prohibit termination of its license as well as unspecified monetary damages. The Company and its subsidiary counterclaimed and sought a preliminary injunction against Foodmex. On February 24, 1998, the Court issued an order dismissing Foodmex's complaint without prejudice. In March 1998, Foodmex filed a Second Amended Complaint in the U.S. District Court in San Diego, California alleging contractual, tort and law violations arising out of the same business relationship and seeking damages in excess of $10 million, attorneys' fees and costs. On June 25, 1999, the Court granted the Company's motion for summary judgement on the plaintiff's Second Amended Complaint, resulting in the complete dismissal of Foodmex's claim against the Company. On the same day, the Court granted the Company's motion for partial summary judgement on its breach of contract, trademark infringement, unfair competition and related claims, including the Company's claim for a permanent injunction. The Court ordered Foodmex to cease using any of the Company's proprietary marks, and ordered it to cause its Mexican sublicensees to cease using any of the Company's proprietary marks. Issues regarding Foodmex's liability for breach of a promissory note, and damages owed to the Company by Foodmex remain to be decided. No trial date has been set.

The Company is also subject to normal and routine litigation. The amount of liability from the claims and actions against the Company cannot be determined with certainty, but in the opinion of management, the ultimate liability from all pending legal proceedings, asserted legal claims and known potential legal claims which are probable of assertion should not materially affect the results of operations and liquidity of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)
(continued)

The IRS examination of the Company's federal income tax return for fiscal year 1996 resulted in the issuance of a proposed adjustment to tax liability of $7.3 million (exclusive of interest). The Company has filed a protest with the Regional Office of Appeals of the IRS to contest the proposed assessment. Management believes that an adequate provision for income taxes has been made.

The Company has six wholly-owned subsidiaries, consisting of CP Distribution Co., CP Wholesale Co., Jack in the Box, Inc. (an inactive New Jersey corporation), Foodmaker International Franchising Inc. (collectively, the "Subsidiary Guarantors") and two other non-guarantor subsidiaries (collectively, the "Non-Guarantor Subsidiaries"). The Subsidiary Guarantors comprise all of the direct and indirect subsidiaries of the Company (other than the Non-Guarantor Subsidiaries which conduct no material operations, have no significant assets on a consolidated basis and account for only an insignificant share of the Company's consolidated revenues). Each of the Subsidiary Guarantors' guarantees of the Company's $125 million senior subordinated notes is full, unconditional and joint and several. The Subsidiary Guarantors have no significant operations or any significant assets or liabilities on a consolidated basis, other than guarantees of indebtedness of the Company, and therefore, no separate financial statements of the Subsidiary Guarantors are presented because management has determined that they are not material to investors.

11. SUPPLEMENTAL FINANCIAL STATEMENT INFORMATION

	OCTOBER 3, 1999	SEPTEMBER 27, 1998
Accounts receivable:		
Trade	$ 7,989	$ 6,987
Notes	67	908
Other	2,929	8,395
Allowances for doubtful accounts	(1,829)	(2,585)
	$ 9,156	$ 13,705
Other Assets:		
Trading area rights, net of amortization of $29,057 and $25,313, respectively	$ 73,033	$ 72,993
Lease acquisition costs, net of amortization of $24,625 and $23,613, respectively	15,352	17,157
Other, net of amortization of $14,681 and $12,932, respectively	40,741	39,309
	$ 129,126	$ 129,459
Accrued liabilities:		
Payroll and related taxes	$ 45,314	$ 38,201
Sales and property taxes	17,978	12,723
Insurance	28,548	47,502
Advertising	15,517	10,098
Capital improvements	13,798	17,432
Interest	7,092	7,510
Income tax liabilities	30,767	14,463
Other	24,137	24,045
	$ 183,151	$ 171,974

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)
(continued)

12. QUARTERLY RESULTS OF OPERATIONS (Unaudited)

	16 WEEKS ENDED	12 WEEKS ENDED		
	JAN. 18, 1998	APR. 12, 1998	JULY 5, 1998	SEPT. 27, 1998
Revenues	$ 343,774	$ 309,909	$ 280,566	$ 289,807
Gross profit	65,955	96,013	55,877	54,592
Earnings before extraordinary item	11,674	34,347	12,626	12,406
Net earnings	11,674	34,347	8,248	12,406
Earnings per share before extraordinary item:				
Basic	.30	.88	.32	.32
Diluted	.29	.85	.31	.31

	16 WEEKS ENDED	12 WEEKS ENDED		13 WEEKS ENDED
	JAN. 17, 1999	APR. 11, 1999	JULY 4, 1999	OCT. 3, 1999
Revenues	$ 407,134	$ 321,973	$ 342,448	$ 385,344
Gross profit	78,873	81,047	71,495	82,489
Net earnings	15,751	24,987	17,377	18,343
Earnings per share:				
Basic	.41	.66	.45	.48
Diluted	.40	.64	.44	.47

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

All comparisons under this heading between 1999, 1998 and 1997 refer to the 53-week period ended October 3, 1999, and the 52-week periods ended September 27, 1998 and September 28, 1997, respectively, unless otherwise indicated.

REVENUES

Company-operated restaurant sales were $1,372.9 million, $1,112.0 million and $986.6 million in 1999, 1998 and 1997, respectively. Restaurant sales improved from the prior year by $260.9 million, or 23.5%, in 1999 and $125.4 million, or 12.7%, in 1998, reflecting increases in the average number of Company-operated restaurants and per store average ("PSA") sales. The increase in 1999 also included restaurant sales of approximately $28 million for the additional week. The average number of Company-operated restaurants grew to 1,120 in 1999 from 998 in 1998 and 900 in 1997 with new restaurant openings of 115, 102 and 75, respectively. PSA weekly sales for comparable restaurants increased 8.7% in 1999 and 2.8% in 1998 compared to the respective prior year, due to increases in both the number of transactions and the average transaction amounts. The Company believes restaurant sales improvements are attributed to its two-tier marketing strategy featuring both premium sandwiches and value-priced alternatives, as well as to a popular brand-building advertising campaign that features the Company's fictional founder, "Jack". Also contributing to sales growth in 1999 were the Company's strategic initiatives, including an Assemble-to-Order ("ATO") program in which sandwiches are made when customers order them, new menu boards that showcase combo meals and a new order confirmation system at drive-thru windows.

Distribution and other sales were $41.8 million, $26.4 million and $45.2 million in 1999, 1998 and 1997, respectively. Distribution sales of food and supplies to franchisees and others (excluding Chi-Chi's Mexican restaurants) were $30.9 million in 1999, $24.3 million in 1998 and $9.9 million in 1997, reflecting increases in the number of restaurants serviced by the Company's distribution division and PSA sales growth at franchise restaurants. Total distribution and other sales in 1997 include $35.3 million to Chi-Chi's Mexican restaurants, prior to expiration of their contract. Because distribution is a low-margin business, the decrease in distribution revenues in 1998 did not have a material impact on the results of operations or financial condition of the Company. Other sales from fuel and convenience store operations increased to $10.9 million in 1999 from $2.1 million in 1998 as the number of locations operated by the Company grew to seven during 1999 from one in 1998.

Franchise rents and royalties were $39.9 million, $35.9 million and $35.4 million in 1999, 1998 and 1997, respectively, slightly more than 10% of sales at franchise-operated restaurants in each of those years. Franchise restaurant sales were $384.7 million in 1999, $345.9 million in 1998 and $352.2 million in 1997, benefiting in 1999 from the Company's strategic initiatives described above. The percentages of sales in 1999 and 1998 were fractionally higher due to increases in percentage rents at certain franchised restaurants.

In 1998, other revenues, typically interest income from investments and notes receivable, also included a litigation settlement received from various meat suppliers of $58.5 million, of which $45.8 million (the "Litigation Settlement") was realized after litigation costs. Excluding this unusual item in 1998, other revenues declined to $2.3 million in 1999 from $4.0 million in 1998 and $4.5 million in 1997, reflecting lower investments as cash has been utilized in refinancing activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(continued)

COSTS AND EXPENSES

Restaurant costs of sales, which include food and packaging costs, increased with sales growth and the addition of Company-operated restaurants to $432.2 million in 1999 from $353.5 million in 1998 and $322.4 million in 1997. As a percent of restaurant sales, costs of sales were 31.5% in 1999, 31.8% in 1998 and 32.7% in 1997. The restaurant costs of sales percentages decreased in 1999 and 1998 compared to 1997 primarily due to favorable ingredient costs, principally beef, pork and beverages, offset partially by increased cheese and produce costs.

Restaurant operating costs were $646.8 million, $549.2 million and $478.7 million in 1999, 1998 and 1997, respectively. In 1999, the Company reduced accrued liabilities and restaurant operating costs by $18.0 million, primarily due to a change in estimates resulting from improvements to its loss prevention and risk management programs, which have been more successful than anticipated. This change in estimates was supported by an independent actuarial study conducted to evaluate the self-insured portion of the Company's workers' compensation, general liability and other insurance programs. Restaurant operating costs were 48.4% of restaurant sales in 1999, excluding the change in estimates, 49.4% in 1998 and 48.5% in 1997. The restaurant operating costs percentage declined in 1999 compared to 1998, reflecting improved rates of labor-related costs and occupancy expenses, which increased at a lesser rate than PSA sales growth. The percentage increase in 1998 compared to 1997 primarily reflects higher labor costs due to increases in minimum wage and initial training for operational improvements. Additionally, new restaurant preopening costs increased approximately .2% of sales in 1998, principally due to an increase in new restaurants.

Costs of distribution and other sales were $41.2 million in 1999, $25.8 million in 1998 and $45.0 million in 1997, reflecting the fluctuations in distribution and other sales. Costs of distribution and other sales were 98.5% of related sales in 1999, 97.8% in 1998 and 99.4% in 1997. The higher percentage in 1999 was primarily due to start-up costs related to fuel and convenience store operations. In 1997, costs included $.4 million in expenses related to the closure of a distribution center which had been used principally to distribute to Chi-Chi's Mexican restaurants.

Franchised restaurant costs, which consist principally of rents and depreciation on properties leased to franchisees and other miscellaneous costs, were $22.7 million, $23.0 million and $23.6 million in 1999, 1998 and 1997, respectively. The declines in 1999 and 1998 compared to 1997 principally reflect decreases in franchise-related legal expenses.

Selling, general and administrative expenses were $164.3 million, $134.9 million and $116.5 million in 1999, 1998 and 1997, respectively. Advertising and promotion costs were $70.3 million in 1999, $58.3 million in 1998 and $51.9 million in 1997, representing approximately 5.1% of restaurant sales in 1999, 5.2% in 1998 and 5.3% in 1997. In 1999, regional administrative and training expenses are reflected as general and administrative costs. Such costs, which had previously been included with restaurant operating costs, have been reclassified in prior years to conform with the 1999 presentation. General, administrative and other costs were approximately 6.5% of revenues in 1999, 6.3% in 1998 and 6.0% in 1997. The higher percentage in 1999 reflects costs associated with the implementation of the ATO program and other guest initiatives, accelerated restaurant growth, higher incentive compensation attributable to the Company's earnings improvement and increased pension expense. In 1998, such costs included a non-cash charge of approximately $8 million, primarily related to facilities and customer service improvement projects.

Interest expense declined to $28.2 million in 1999 from $33.1 million in 1998 and $40.4 million in 1997, principally due to a reduction in total debt outstanding and lower interest rates. Over this three-year period, total long-term debt has been reduced by $93 million and certain debt has been refinanced at lower rates. See "Liquidity and Capital Resources."

The tax provisions reflect effective annual tax rates of 37%, 32% and 22% of pre-tax earnings in 1999, 1998 and 1997, respectively. The favorable income tax rates in each year result from the Company's ability to realize, as the Company's profitability has improved, previously unrecognized tax benefits such as business tax credit, tax loss and minimum tax credit carryforwards.

In 1998, the Company incurred an extraordinary loss of $7.0 million, less income tax benefits of $2.6 million, on the early extinguishment of $125 million each of its 9 1/4% senior notes and its 9 3/4% senior subordinated notes. In 1997, the Company incurred a similar extraordinary loss of $1.6 million, less income tax benefits of $.3 million, on the early repayment of $50 million of the 9 1/4% senior notes.

Net earnings were $76.5 million, or $1.95 per diluted share, in 1999, $66.7 million, or $1.66 per diluted share, in 1998 and $34.1 million, or $.86 per diluted share, in 1997. Fiscal year 1999 and 1998 include unusual items, which increased the Company's net earnings. In 1999, restaurant operating costs were reduced by $18.0 million due to a change in estimates as described above. This change in estimates increased 1999 net earnings by $11.4 million, or $.29 per diluted share, net of income taxes. In 1998, net earnings included approximately $25.7 million, or $.64 per diluted share, net of income taxes, from the Litigation Settlement income offset by the aforementioned non-cash charge, and the extraordinary loss of $4.4 million, or $.11 per share. Excluding these unusual and extraordinary items, earnings increased 43% to $65.1 million or $1.66 per diluted share, in 1999 from $45.4 million, or $1.13 per diluted share, in 1998, which had increased 29% from $35.3 million, or $.89 per diluted share, before an extraordinary item, in 1997.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased $1.0 million to approximately $10.9 million at October 3, 1999 from approximately $9.9 million at the beginning of the fiscal year. The Company expects to maintain low levels of cash and cash equivalents, reinvesting available cash flows from operations to develop new or enhance existing restaurants and to reduce borrowings under the revolving credit agreement.

The Company's working capital deficit decreased $11.5 million to $131.8 million at October 3, 1999 from $143.3 million at September 27, 1998, principally due to an increase in prepaid expenses. The Company and the restaurant industry in general, maintain relatively low levels of accounts receivable and inventories and vendors grant trade credit for purchases such as food and supplies. The Company also continually invests in its business through the addition of new units and refurbishment of existing units, which are reflected as long-term assets and not as part of working capital.

On April 1, 1998, the Company entered into a new revolving bank credit agreement, which provides for a credit facility expiring in 2003 of up to $175 million, including letters of credit of up to $25 million. At October 3, 1999, the Company had borrowings of $86.0 million and approximately $81.1 million of availability under the agreement.

Beginning in September 1997, the Company initiated a refinancing plan to reduce and restructure its debt. At that time, the Company prepaid $50 million of its 9 1/4% senior notes due 1999 using available cash. In 1998, the Company repaid the remaining $125 million of its 9 1/4% senior notes and all $125 million of its 9 3/4% senior subordinated notes due 2002. In order to fund these repayments, the Company completed, on April 14,

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

1998, a private offering of $125 million of 8 3/8% senior subordinated notes due 2008, redeemable beginning 2003. Additional funding sources included available cash, as well as bank borrowings under the new bank credit facility. Total debt outstanding has decreased $93.0 million to $305.2 million at October 3, 1999 from $398.2 million at the beginning of fiscal year 1997.

The Company is subject to a number of covenants under its various debt instruments including limitations on additional borrowings, capital expenditures, lease commitments and dividend payments, and requirements to maintain certain financial ratios, cash flows and net worth. The bank credit facility is secured by a first priority security interest in certain assets and properties of the Company. In addition, certain of the Company's real estate and equipment secure other indebtedness.

The Company requires capital principally to grow the business through new restaurant construction, as well as to maintain, improve and refurbish existing restaurants, and for general operating purposes. The Company's primary sources of liquidity are expected to be cash flows from operations, the revolving bank credit facility, and the sale and leaseback of restaurant properties. Additional potential sources of liquidity include financing opportunities and the conversion of Company-operated restaurants to franchised restaurants.

Based upon current levels of operations and anticipated growth, the Company expects that sufficient cash flows will be generated from operations so that, combined with available financing alternatives, the Company will be able to meet debt service, capital expenditure and working capital requirements.

Although the amount of liability from claims and actions described in Note 10 of the Consolidated Financial Statements cannot be determined with certainty, management believes the ultimate liability of such claims and actions should not materially affect the results of operations and liquidity of the Company.

SEASONALITY

The Company's restaurant sales and profitability are subject to seasonal fluctuations and are traditionally higher during the spring and summer months because of factors such as increased travel and improved weather conditions which affect the public's dining habits.

YEAR 2000 COMPLIANCE

The information provided below constitutes a "Year 2000 Readiness Disclosure" pursuant to the Year 2000 Information and Business Disclosure Act of 1998.

The Company's State of Year 2000 Readiness. In 1995, the Company began to prepare a plan to address the impact of the arrival of the Year 2000 on its business. The Company assessed its information technology ("IT") systems and embedded microprocessor technology ("ET") to determine which technology required modification or replacement and which are critical to the Company's operations. The Company applied internal and external resources to upgrade, repair or replace significant systems that were not Year 2000 ready. Remediation, testing and implementation of the Company's major IT applications and date sensitive ET are substantially complete.

The Company's Franchisees. Approximately one-fifth of Jack in the Box restaurants are operated by franchisees. The Company has provided information to its franchisees about the business risks associated with the Year 2000 in video presentations, correspondence and personal meetings over the last two years and has advised them that they are required to be Year 2000 ready by December 31, 1999. The Company shared information with franchisees regarding the compliance status of point-of-sale hardware and software and other restaurant equipment, as well as its own compliance efforts in corporate offices and Company-operated restaurants. The Company replaced, at franchisees' expense, the non-compliant personal computers it had leased and non-compliant software it had licensed to franchisees of approximately 92% of franchised restaurants. In addition,franchisees were provided with copies of contingency plans applicable to Company restaurants.

The Costs to Address the Company's Year 2000 Issues. At fiscal year end, the Company estimates that it had incurred costs of more than $12 million for its Year 2000 efforts. The Company believes the total costs of completing its Year 2000 plan will be approximately $13 million with approximately 25% relating to new systems which have been or will be capitalized. Some planned system replacements, which are anticipated to provide significant future benefits, were accelerated due to Year 2000 concerns.

The Risks of the Company's Year 2000 Issues. The Company communicated with approximately 3,000 of its vendors with regard to Year 2000 issues, seeking to gain assurance of Year 2000 readiness. Of the approximately 240 vendors which were identified as critical, all have responded that they expect to address all Year 2000 issues affecting the supply of products or services to Jack in the Box restaurants on a timely basis. There can be no guarantees that the Company's vendors will be Year 2000 ready in a timely manner or that third parties with which the Company's computer systems exchange data will be Year 2000 ready both in a timely manner and in a manner compatible with continued data exchange with the Company's computer systems.

The Company believes that its most reasonably likely worst case Year 2000 scenario would relate to problems with the systems of third parties rather than the Company's internal systems. If the vendors of the Company's most important goods and services or the suppliers of the Company's necessary energy, telecommunications and transportation needs fail to provide the Company with (1) the materials and services which are necessary to produce, distribute and sell its products, (2) the electrical power and other utilities necessary to sustain its operations, or (3) reliable means of transporting supplies to its restaurants and franchisees, such failure could have a material adverse effect on the results of operations, liquidity and financial condition of the Company.

If any IT or ET systems critical to the Company's operations have not been adequately addressed, any of the Company's internal computer systems have not been successfully remediated, or a significant number of the Company's franchisees are not Year 2000 ready, there could be a material adverse effect on the Company's results of operations, liquidity and financial condition.

The Company's Contingency Plan. The Company has developed business contingency plans to address both unavoided and unavoidable Year 2000 risks including restaurant specific contingency plans and checklists for restaurant managers, regional plans, and plans addressing various functions at its corporate headquarters. The Company is designating personnel to be available to coordinate responsive actions in the event emergencies occur. Refinements to the plans will be continuously considered and implemented, as appropriate, throughout the remainder of the year and into the Year 2000.

FUTURE ACCOUNTING CHANGES

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.* SOP 98-1 requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized over the estimated useful life of the software. The SOP also requires that costs related to the preliminary project stage and the post-implementation/operations stage of an internal-use computer software development project be expensed as incurred. This Statement is effective for fiscal years beginning after December 15, 1998 and requires that costs incurred prior to the initial application of the SOP not be adjusted to the amounts that would have been capitalized had the SOP been in effect when those costs were incurred. SOP 98-1 is effective for the Company's fiscal year ending October 1, 2000, and is not expected to have a material effect on the Company's financial position or results of operations.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities,* which establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This Statement was amended by SFAS 137 which defers the effective date to all fiscal quarters of fiscal years beginning after June 15, 2000. SFAS 133 is effective for the Company's first quarter in the fiscal year ending September 30, 2001 and is not expected to have a material effect on the Company's financial position or results of operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary exposure relating to financial instruments is to changes in interest rates. The Company uses interest rate swap agreements to reduce exposure to interest rate fluctuations. At October 3, 1999, the Company had a $25 million notional amount interest rate swap agreement expiring in June 2001. This agreement effectively converts a portion of the Company's variable rate bank debt to fixed rate debt and has a pay rate of 6.63%.

The Company's $175 million credit facility bears interest at an annual rate equal to the prime rate or the London Interbank Offered Rate ("LIBOR") plus an applicable margin based on a financial leverage ratio. As of October 3, 1999, the Company's applicable margin was set at .875%. In fiscal year 1999, the average interest rate paid on the credit facility was 6.5%.

At October 3, 1999, a hypothetical one percentage point increase in short-term interest rates would result in a reduction of $.6 million in annual pre-tax earnings. The estimated reduction is based on holding the unhedged portion of bank debt at its October 3, 1999 level.

At October 3, 1999, the Company had no other material financial instruments subject to significant market exposure.

STOCK PRICES

The following table sets forth the high and low closing sales prices for the Company's common stock during the fiscal quarters indicated, as reported on the New York Stock Exchange – Composite Transactions:

	16 WEEKS ENDED	12 WEEKS ENDED		
FISCAL YEAR 1998	JAN. 18, 1998	APR. 12, 1998	JULY 5, 1998	SEPT. 27, 1998
High	$20.25	$20.63	$20.94	$17.63
Low	14.75	15.25	16.25	13.00

	16 WEEKS ENDED	12 WEEKS ENDED		13 WEEKS ENDED
FISCAL YEAR 1999	JAN. 17, 1999	APR. 11, 1999	JULY 4, 1999	OCT. 3, 1999
High	$23.06	$26.63	$28.56	$29.31
Low	13.06	22.00	22.38	22.44

FIVE YEAR FINANCIAL SUMMARY

(Dollars in thousands, except per share data)

The following selected financial data summarizes certain consolidated financial information of the Company for the 53-week period of 1999 and for each of the 52-week periods of fiscal years 1995 to 1998.

	FISCAL YEAR				
	1999	1998	1997	1996	1995
Statement of Operations Data:					
Total revenues(1)	$ 1,456,899	$ 1,224,056	$ 1,071,742	$ 1,062,822	$ 1,018,716
Depreciation and amortization	45,857	40,201	37,922	36,491	35,837
Earnings (loss) before interest and income taxes (1)(2)(3)	149,607	137,511	85,562	71,477	(19,995)
Earnings (loss) (3)	76,458	71,053	35,303	20,051	(68,958)
Earnings (loss) per share (3):					
Basic	2.00	1.82	0.91	0.52	(1.78)
Diluted	1.95	1.77	0.89	0.51	(1.78)
Balance Sheet Data (at end of period):					
Total assets	$ 833,644	$ 743,588	$ 681,758	$ 653,638	$ 662,674
Long-term debt	303,456	320,050	346,191	396,340	440,219
Stockholders' equity	217,837	136,980	87,879	51,384	31,253

(1) Includes the recognition of a $45.8 million Litigation Settlement in 1998 as described in Note 10 to the Consolidated Financial Statements.

(2) Reflects an $18.0 million reduction of restaurant operating costs in 1999 and the complete write-off of the Company's $57.2 million investment in Family Restaurants, Inc. in 1995.

(3) Before extraordinary items in 1998 and 1997.

DIRECTORS & OFFICERS OF JACK IN THE BOX INC.

BOARD OF DIRECTORS:

MICHAEL E. ALPERT
Advisory Counsel to Gibson,
Dunn & Crutcher LLP

JAY W. BROWN
Principal, Westgate Group LLC
Retired President & Chief Executive Officer,
Protein Technologies International

PAUL T. CARTER
Insurance Consultant

CHARLES W. DUDDLES
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Chief Financial Officer
and Chief Administrative Officer

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General Partner
Gibbons, Goodwin, van Amerongen

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Chairman of the Board

ALICE B. HAYES, PH.D.
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University of San Diego

MURRAY H. HUTCHISON
Retired Chairman and CEO
International Technology Corporation

ROBERT J. NUGENT
President and Chief Executive Officer

L. ROBERT PAYNE
President and Chief Executive Officer,
Multi-Ventures, Inc.

OFFICERS:

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Vice President, Corporate Communications

DONALD C. BLOUGH
Vice President, Chief Information Officer

BRUCE N. BOWERS
Vice President, Logistics

VICTORIA S. BRUSH
Assistant Secretary and Corporate Counsel

CARLO E. CETTI
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Assistant Secretary

WILLIAM F. MOTTS
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President and Chief Executive Officer

HAROLD L. SACHS
Vice President, Treasurer

LAWRENCE E. SCHAUF
Executive Vice President and Corporate Secretary

PAUL L. SCHULTZ
Senior Vice President,
Operations and Franchising

MICHAEL J. SNIDER
Assistant Secretary and Corporate Counsel

DAVID M. THENO, PH.D.
Vice President, Technical Services

LINDA A. VAUGHAN
Vice President, Marketing

CHARLES E. WATSON
Vice President, Real Estate and Construction

DARWIN J. WEEKS
Vice President, Controller
and Chief Accounting Officer

KENNETH R. WILLIAMS
Executive Vice President,
Marketing and Operations

GENERAL INFORMATION

CORPORATE OFFICES:

Jack in the Box Inc.
9330 Balboa Ave.
San Diego, CA 92123-1516
(858) 571-2121

INVESTOR NEWSLINE AND REQUESTS:

For Financial Information
call (858) 694-1515, or write to:
Treasury Department
Jack in the Box Inc.
9330 Balboa Ave.
San Diego, CA 92123-1516

INVESTOR INQUIRIES:

Harold Sachs
Vice President, Treasurer
(858) 571-2215
A copy of the company's 1999 Annual Report on Form 10-K is available free of charge.

LEGAL COUNSEL:

Gibson, Dunn & Crutcher LLP
333 South Grand Ave.
Los Angeles, CA 90071

INDEPENDENT AUDITORS:

KPMG LLP
750 B Street
San Diego, CA 92101

TRANSFER AGENT AND REGISTRAR:

ChaseMellon Shareholders Services, L.L.C.
Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660
(800) 522-6645
www.chasemellon.com

STOCK EXCHANGE LISTING:

Jack in the Box Inc. common stock is traded on the New York Stock Exchange under the symbol *JBX*. The company is identified as *JackinBox* in most newspaper stock listings.

DIVIDEND POLICY:

Jack in the Box Inc. has not paid any cash or other dividends (other than the issuance of the Rights) during its last three fiscal years and does not anticipate paying dividends in the foreseeable future. The company's credit agreements and its public debt instruments restrict its right to declare or pay dividends or make other distributions with respect to shares of its capital stock.

ANNUAL MEETING:

February 18, 2000, 2 p.m.
Del Mar Hilton
15575 Jimmy Durante Blvd.
Del Mar, CA 92014
(858) 792-5200

For general information about Jack in the Box Inc., connect to our web site at www.jackinthebox.com

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