CLASSIFIED

Jack in the Box Inc.

ANNUAL REPORT 2000

Pages that follow detail the Jack in the Box® year 2000 financial highlights, along with company background and other vital info. gathered over the course of a daring and detailed undercover investigation.

Fudge–

BURGER BULLY, INC.

"WITH MILLIONS OF RESTAURANTS WORLDWIDE, SOONER OR LATER, YOU'LL HAVE IT OUR WAY."

CONFIDENTIAL COMPETITOR PROFILE	CASE # 2000

Prepared by:	Fudge Merriwether III, Burger Bully director of competitive intelligence, corporate secrets and GiddyKiddie™ toy promotions
For:	Burger Bully senior management team — Date: December 22, 2000
Competitor Name:	Jack in the Box Inc. (NYSE: JBX)
Operations:	1,600-plus restaurants in 15 U.S. states, with headquarters in San Diego, 10 regional offices and 40,000 employees. Operates own distribution network, servicing restaurants from seven warehouses.
Market Niche:	Fast-food hamburger chain, with distinctive, varied menu encompassing tacos, finger foods more typically found at midscale restaurants, real ice cream shakes and sandwiches made after guests order them.
Financials:	Consistently strong. Five consecutive years of record net earnings. Q4 2000 was company's 23rd straight quarter of year-to-year, same-store average sales growth.
Key Strengths:	• Brand: Highly popular with 18- to 34-year-old male target. Hilarious ad campaign featuring founder "Jack" shows remarkable staying power after six years. • Growth potential: Significant. Brand considered "underpenetrated." Currently expanding company-operated restaurants at rate of 10 percent per year in existing and new markets. • Executive management team: Experienced, knowledgeable, dedicated to continuous improvement. Also scorchingly attractive. • Company earnings in Q4 2000 before unusual income tax benefit equaled total earnings in fiscal year 1996.
Conclusion/Notes:	Be afraid. Be very afraid. JBX continues to siphon customers away from Burger Bully and other major competitors; as such, company represents SIGNIFICANT competitive threat. As it embarks on its 50th year in business, Jack in the Box, already a staple of West Coast popular culture, continues to build its brand with great products and service that deliver on brand promise communicated by ad campaign.

FINANCIAL HIGHLIGHTS

(dollars in millions, except per share data)

	FOR THE FISCAL YEAR ENDED		
	OCT. 1, 2000	OCT. 3, 1999	SEPT. 27, 1998
JACK IN THE BOX® restaurants	1,634	1,517	1,414
Company-operated	1,311	1,191	1,069
Franchise-operated	323	326	345
Same-store sales increases	3.3%	8.7%	2.8%
Systemwide restaurant sales	$ 1,921.3	$ 1,757.6	$ 1,457.9
Revenues	$ 1,633.3	$ 1,456.9	$ 1,224.1
Earnings before interest and taxes*	$ 148.6	$ 128.9	$ 99.9
Earnings*	$ 77.4	$ 63.7	$ 45.4
Earnings per share, diluted*	$ 1.97	$ 1.62	$ 1.13
Net earnings	$ 100.3	$ 76.5	$ 66.7
Net earnings per share, diluted	$ 2.55	$ 1.95	$ 1.66
Total assets	$ 906.8	$ 833.6	$ 743.6
Total stockholders' equity	$ 316.4	$ 217.8	$ 137.0
Book value per share	$ 8.25	$ 5.69	$ 3.61
Common shares outstanding, in thousands	38,349	38,276	37,928

*Before unusual and extraordinary items. In 2000, excludes $22.9 million in tax benefits primarily from the settlement of a tax case. In 1999, excludes an $18.0 million reduction in restaurant operating costs, $11.4 million net of taxes, and a 53rd week that contributed an extra $1.4 million in net earnings. In 1998, excludes $45.8 million litigation settlement income and an $8.2 million non-cash charge, or a net of $25.7 million after taxes.

Fudge Merriwether III, Burger Bully corporate mole
memo to file
San Diego, 10 oct '00

1

My stealth research team and I pulled out all the stops during this covert investigation. As snoops, we were ruthless, dogged — like a ticked-off, pumped-up Angela Lansbury in an NC-17-rated "Murder, She Wrote." Early on, posing as caterers for a local kosher delicatessen, we managed to infiltrate the company's boardroom during a vital strategic-planning session.

It all would have gone swimmingly, had someone not noticed that our lunch of sausage and cheese sandwiches smothered in mayo ran somewhat afoul of kosher law. Still, before being ejected by four enormous security guards, I was able to make a crude tape recording of Jack in the Box President and CEO Bob Nugent reading aloud from his annual letter to shareholders. Transcript follows.

CONFIDENTIAL

[Voice of Robert J. Nugent, President and CEO, Jack in the Box Inc.]

Tape timer: 00:03

Okay, everyone. Take a seat, please. Grab a sandwich and let's go over the shareholders' letter. What is this? Sausage? Weird. Who suggested this caterer? You, Chuck? Figures. Anyway, here we go:

[clears throat]

Dear Shareholders:

00:19

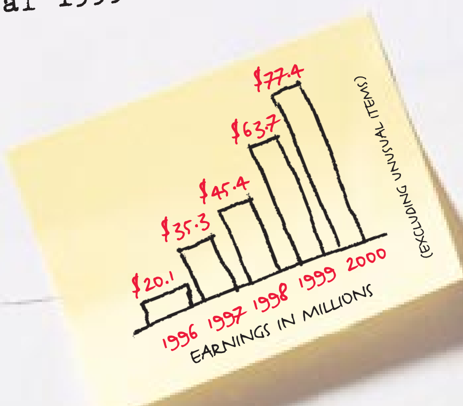
Very little in America looks much like it did 50 years ago. When the first Jack in the Box® restaurant opened in San Diego in 1951, the drive-thru concept was still a novelty, a harbinger of an emerging consumer culture that would come to place a sky-high premium on convenience, quality and good service. Half a century later, those three values still constitute the cornerstones of successful businesses in every industry.

00:38

The truth is, there have always been just two ways for companies to get ahead: One is to invent something wonderful that everyone needs but that's never existed before, thereby creating demand for a new product or service. The other is to take an existing product or service and do things a little bit better than your competition. We at Jack in the Box are synonymous with burgers, fries, sandwiches and shakes. But, though we'd like to be able to make the claim, we obviously didn't invent them. In the highly competitive business of fast food, where consumer loyalty in the form of repeat visits is a key measure of strength, our ongoing challenge in this, our 50th year in business, is to find new and better ways to deliver superior food to our guests. We made significant progress on that front this year, and, as they have for the past five years, our financial results reflect that progress.

00:56

In fiscal year 2000, Jack in the Box posted net earnings of $100.3 million, or $2.55 per diluted share, including an unusual income tax benefit that contributed $22.9 million, or 58 cents per diluted share, to the year's total. That figure represents a significant increase over fiscal 1999 net earnings of $76.5 million, or $1.95 per diluted share.



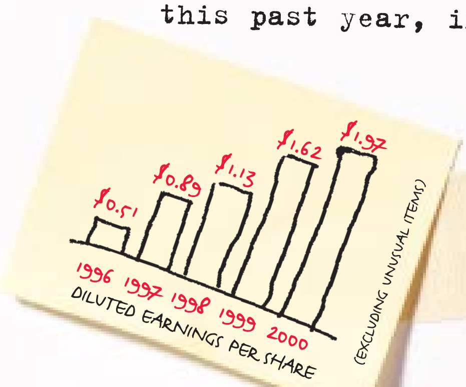
01:17

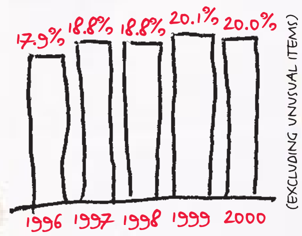
Even without unusual items in both years, the company posted fiscal 2000 earnings of $77.4 million, or $1.97 per diluted share, a 21.5 percent improvement over 1999's totals of $63.7 million, or $1.62 per diluted share. Those unusual items include the income tax benefit in fiscal 2000, and, in 1999, a 53rd week that contributed an extra $1.4 million in net earnings as well as an unusual $18 million reduction in 1999 operating costs ($11.4 million net of taxes).

Company-operated restaurant sales for fiscal year 2000 reached $1.53
billion, and total revenues were $1.63 billion, which amounted to
13.7- and 14.5-percent increases, respectively, over totals for the
previous year on a 52-week basis. Same-store average weekly sales,
01:25 a key measure of success in the fast-food industry, grew 3.3 percent,
a figure that's particularly impressive considering the company's
8.7 percent growth rate a year earlier. Same-store sales averages
have now improved year-to-year for 23 consecutive quarters. And
Jack in the Box was able to maintain its restaurant operating margins
at 20 percent of sales -- no mean achievement, given that our 1999
operating margins benefited from a remarkable sales improvement
driven by the implementation of our assemble-to-order, or "ATO,"
food-preparation systems. Meanwhile, systemwide sales grew to $1.92
billion, or more than 11 percent over last year on a 52-week basis.

In other news, general, administrative and other costs also remained
about the same year-to-year, at 6.4 percent of revenues. We antici-
01:48 pate that these costs will trend downward over time, given that many
of the initial infrastructure costs associated with opening our new
southeastern markets have already been absorbed. Earnings before
interest and taxes for the year improved 15.3 percent to almost
$149 million, excluding the unusual items in both years.

We realized our goal of opening 120 new company-operated restaurants
this past year, including 24 in our new southeastern markets: Baton





RESTAURANT OPERATING MARGIN

Rouge, La., Charlotte, N.C., and Nashville, Tenn. The local competi-
tion has taken notice: Many are carrying out aggressive discounting
and undertaking exterior-image enhancements to go nose-to-nose with
our distinctive, space-age restaurant designs and equally popular
02:15 99-cent Jumbo Jack® hamburgers. Jack in the Box plans to continue
expanding in and around these cities in 2001 and extending its reach
in the region even further, with new outlets expected to open in
Greenville/Spartanburg, S.C. In total, there were 1,634 Jack in the Box
restaurants -- 1,311 of them company-operated, 323 franchised -- in
our system at the end of fiscal year 2000. Keeping to our philosophy

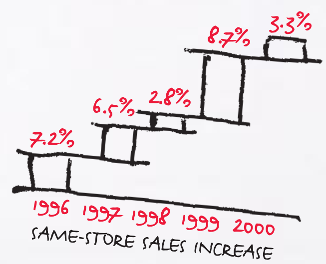
FILE

FILE

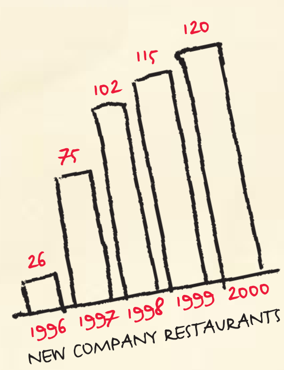
02:38 of a manageable growth rate of 10 percent in company-operated restaurants, we plan to build 130 additional outlets in 2001.

For those readers who may find that this blizzard of figures provides a more detailed portrait of our performance than they necessarily need, here's a snapshot that tells the story: Jack in the Box was as profitable in the fourth quarter of fiscal 2000 as it was in the whole of fiscal year 1996, and we're committed to an annual earnings-growth target of 15 percent.

Though these numbers would appear to speak for themselves, a skeptical investor might reasonably question whether our corporate philosophy of "continuous improvement" is a euphemism for pricey capital upgrades and operational expenditures that don't necessarily add to the bottom line. But the reality is that the changes we're making are not only appreciated by our guests -- who are coming to
02:50 our stores more often and buying more food when they get there -- they're also enhancing efficiency at our restaurants. Fast-food consumers today expect everything and then some: Product quality is paramount, and consumers will wait a little longer for a better burger. But keep a hungry guest waiting too long, and even the best food will leave a bad aftertaste. Smart quick-service chains can't afford to get complacent.



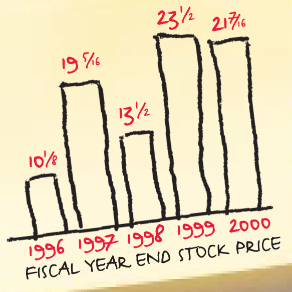
Bob Nugent



So in 2001, we're introducing into new restaurants our most significant
kitchen redesign in 30 years, featuring double drive-thru windows.
It's an effort that builds on our existing ATO systems, which enable
us to prepare sandwiches after they're ordered by guests. We've
03:24 rolled out drive-thru timers that help employees reduce the time
required to perform important kitchen tasks. We've also put in place
a continuous-cooking procedure that guarantees the best, hottest
food we can deliver. Finally, we are beginning to introduce a new
point-of-sale system. It's all part of an aggressive speed-of-service
initiative. In our Dallas region, where we piloted the drive-thru
timer, we shaved 25 seconds off the average transaction time. Our
sales index there subsequently rose 5 points. Having seen how this
array of new equipment, architecture and preparation procedures can
help ease staffing needs, increase the number of guests we're able
to serve during peak hours, and produce even higher-quality products,
I have every confidence that this aggressive program represents a
smart investment in our long-term profitability.

03:54 The same is true of the way we're hiring and training new employees.
In this tight labor market, we remain champions of the Service-
Profit Chain, which reasons that well-treated, satisfied employees
work hard to produce legions of well-treated, satisfied customers.
Those customers naturally respond with their wallets and pocket-
books. Our innovative new-hire orientation program continues helping
the people who are the day-to-day face of Jack in the Box get
acclimated to the busy fast-food environment. It's an up-front
investment that helps us hold on to great employees, who really
make or break the restaurant experience for guests.

04:18 We're also fortunate to have our industry's finest guest-relations
team -- a group of highly skilled corporate diplomats who staff our
phone lines, gathering both positive and negative feedback and
making certain any complaints are addressed.



04:48 Effecting improvements and keeping pace with customer expectations are also key to the ongoing strength of our brand. A distinctive brand is an essential point of difference in the crowded fast-food marketplace, so we guard ours vigorously, as we would any vital business asset. Jack, our wry fictional founder and the centerpiece of the company's long-running, award-winning ad campaign, remains extraordinarily popular with our target consumer. His straight-up, irreverent style mirrors the attitudes and values of young American men everywhere. At the same time, Jack reflects our corporate culture. In the ads, we see Jack listening intently to ideas and suggestions put forth by guests and employees alike. He works hard to outpace the competition. And he enjoys his work and expects the same of his team. As our brand icon, Jack makes bold promises to consumers -- promises about quality, commitment and value. We intend to keep fulfilling those promises to solidify our customer base and continue posting strong returns systemwide.

05:32 Our record performance aside, it's clear that 2000 wasn't exactly the Year of the Restaurant on Wall Street. Though many investors responded to volatility in the technology sector by defecting to more traditional industries, most restaurant stocks managed to remain out of the limelight. Jack in the Box, though, continues to register strong approval ratings among analysts who track our company and our industry. There are good reasons for these votes of confidence. Those who fret about the potentially negative impact of discounting, for instance, may not realize that while Jack in the Box offers a broad range of quality products with its value menu -- a must-have in our industry -- we also bolster our operating margins in a variety of ways. For example, we offer popular premium menu items and package them in combo meals and promotional groupings that are both attractive to guests and invaluable from a check-building standpoint. We have in-house commodities experts who have succeeded in keeping food costs as a percentage of sales down for the past several years. And our introduction of new technology in the kitchen, as mentioned earlier, promises to enhance efficiency in ways that can streamline operations and further support our growth.

Whether 2001 will see investors return en masse to brick-and-mortar businesses such as ours remains to be seen. What is clear is that
05:58 fast food, as a subset of the overall restaurant industry, continues to demonstrate real growth potential. After all, quick-service restaurants represent 55 percent of all consumer restaurant spending, and since 1991, fast-food spending has grown a whopping 60 percent. Jack in the Box, meanwhile, has seen an even sharper increase in sales than those numbers reflect by taking market share from competitors. The critical learning here is that the same social changes that have driven consumers to seek convenience and time-savings in their lives have really paid off for our company. We believe the future holds even more promise for Jack in the Box.

A final note: Our chairman, Jack Goodall, recently announced that he will retire from the company's board of directors effective Feb. 23, 2001. Jack's leadership over the years has helped take us from a small, regional chain to one poised to become a national contender. In February, I will take on Jack's responsibilities as chairman in addition to my role as CEO. Ken Williams, currently executive vice president for operations and marketing, will become the company's president and chief operating officer. Though these changes reflect new roles for us, our management team is among the industry's most enduring. I believe this stability speaks well for our company as it moves closer to its national goal.

Respectfully,

Robert J. Nugent
President and CEO

[at this point,
06:15 Nugent looks up, shoots
caterers a sharp glare, and asks]

Say, guys, does anyone else think "Shlimazel and Son" is a pretty strange name for a kosher deli? Somebody call security.

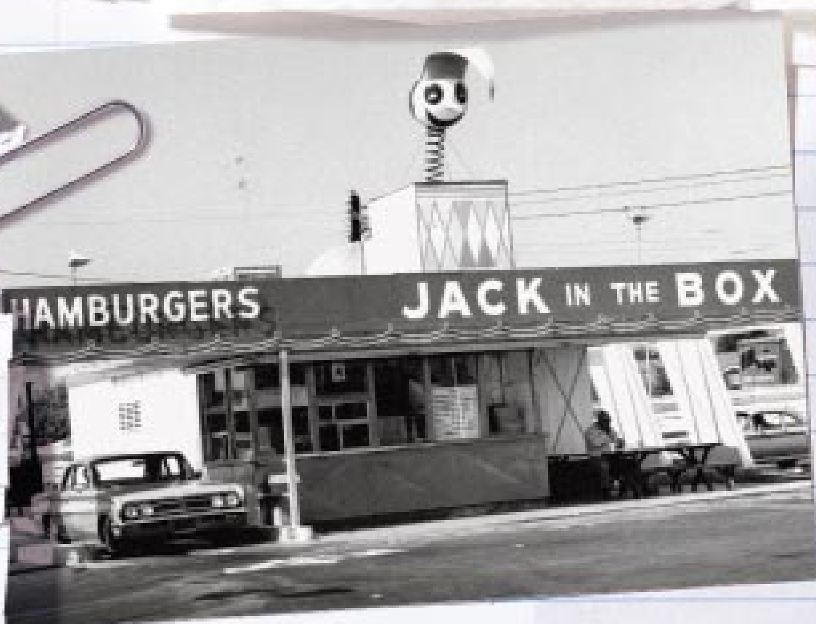
JACK IN THE BOX RESTAURANTS

	COMPANY-OPERATED	FRANCHISE-OPERATED	TOTAL
Arizona	86	44	130
California	515	234	749
Hawaii	28	1	29
Idaho	20	–	20
Illinois	13	–	13
Louisiana	6	–	6
Missouri	45	–	45
Nevada	36	10	46
New Mexico	–	2	2
North Carolina	8	–	8
Oregon	30	2	32
South Carolina	1	–	1
Tennessee	9	–	9
Texas	414	30	444
Washington	100	–	100
Total	**1,311**	**323**	**1,634**

F. Merriwether III for Burger Bully
memo to file
San Diego, 12 oct '00

2

Though we flubbed our attempt at burrowing into JBX headquarters, my team and I refused to let a minor setback stand in the way of digging deeper. Equipped with the very latest in forced-entry technology — namely, a tire iron and bobby pins — we headed to the company's records-storage warehouse to purloin confidential files from the archives. We'd just begun to tinker with the back-door deadbolt when the same meaty security staffers who'd practically crushed our windpipes two days before showed up to escort us off the site and into a nearby ravine. Disheartened, we shlepped over to the public library's microfiche section and ferreted out the following historical data:



1951

The first Jack in the Box restaurant opened in 1951. Talk to people from the West Coast, and almost everyone has a story to tell about Jack in the Box. The company was the first major burger chain with a drive-thru, the first in a series of innovations. Guests would pull into the parking lot and speak their orders into an intercom encased in an enormous clown's head — a head known, appropriately enough, as "Jack." It must have seemed like a pretty trippy concept in the early '50s. Incidentally, other Jack in the Box firsts included the industry's first chicken sandwich, portable salad and breakfast sandwich. It's no exaggeration to say that the Jack in the Box brand is an American classic, part of the nation's pop culture, as this extraordinary item from the company's files attests:

excerpt from the still-unpublished memoirs of **ERNEST HEMINGWAY**, *circa 1952*

Too much poker, fisticuffs and rye whiskey had made me hungry. I held a long, sharp hunting knife to my friend's throat and suggested we get something to eat. He agreed. There is a place called Jack in the Box near here, he told me. A place where we can go to get very good hamburgers. I told my friend that I liked very good hamburgers.

We drove to Jack in the Box, where we ordered hamburgers by talking into a large plastic clown head. Then we pulled his car around to a window where a tall, strapping young man — a bullfighter in another lifetime, perhaps — handed us our hamburgers. We ate in silence. The hamburgers were very good. They would provide us with the energy we needed later in the evening when, in the alleyway behind a local tavern, we were forced to defend ourselves with broken beer bottles against the belligerent advances of nine heavyset longshoremen...

The '60s produced lots of lousy ideas, including tie dye, comedy variety shows and Ringo Starr's facial hair. But the karmic scales were balanced by the introduction of the incredible Breakfast Jack®, fast food's first breakfast sandwich. Jack in the Box was so proud of the concept that it painted its restaurants a blinding egg-yolk yellow.

Meanwhile, in 1971, Jack in the Box introduced its Jumbo Jack® burger, so named because it was then the biggest burger in fast food. The burger was a resounding success and remains the chain's best-selling sandwich today. Incidentally, it was around the time of the Jumbo Jack's introduction that the company received the following correspondence:

THE WHITE HOUSE

Dec. 10, 1971

Gentlemen:

Did you know they make these teeny, tiny little microphones now? You're more likely to spot a longhair with a draft card than to uncover one of these things in your breadbox. You could put 'em inside salt shakers, under serving trays, on top of the drive-thru order menu...pretty much anywhere. And hey, if you really wanted to get the raw dirt on these customers of yours and find out everything they're saying about those Jumbo Jack burgers, you could even find out where they live...maybe put a few goons on the payroll to bug their phones, go through personal files, read their mail, the works. Whaddya use for consumer research now? Phone surveys? Focus groups? Customer intercepts? Please.

— RN from Orange County

P.S. You didn't hear it from me.

Dear RN:

We appreciated your suggestion, though when we ran it past our lawyers they felt that such practices would be what they called … trying to remember the phrase they used … oh, yes: "Plainly unscrupulous and unmistakably criminal." But that hasn't stopped us from working hard to stay close to fast-food consumers to determine their wants and needs. From guest-intercept interviews to focus groups to surveys, our market research team is always out taking the pulse of burger-eaters wherever we do business. In an industry as competitive and cutthroat as ours, we can't afford to get complacent about our success. We've also learned that some of the very best new ideas can come from the most unlikely places. Our guest-relations hotline, which regularly receives A-plus ratings from Restaurant Business magazine, often fields calls from consumers with ideas on everything from new ad concepts to product and service improvements. Our eyes and ears are always open.

Best,

Jack in the Box management

1980

Explosive TV Ad Signals New Tastes at Jack in the Box

by Zed Combo
ROOSTERBURG WEEKLY DISPATCH

"Jack" blows his top.
Moe Biscuit/Roosterburg Weekly Dispatch

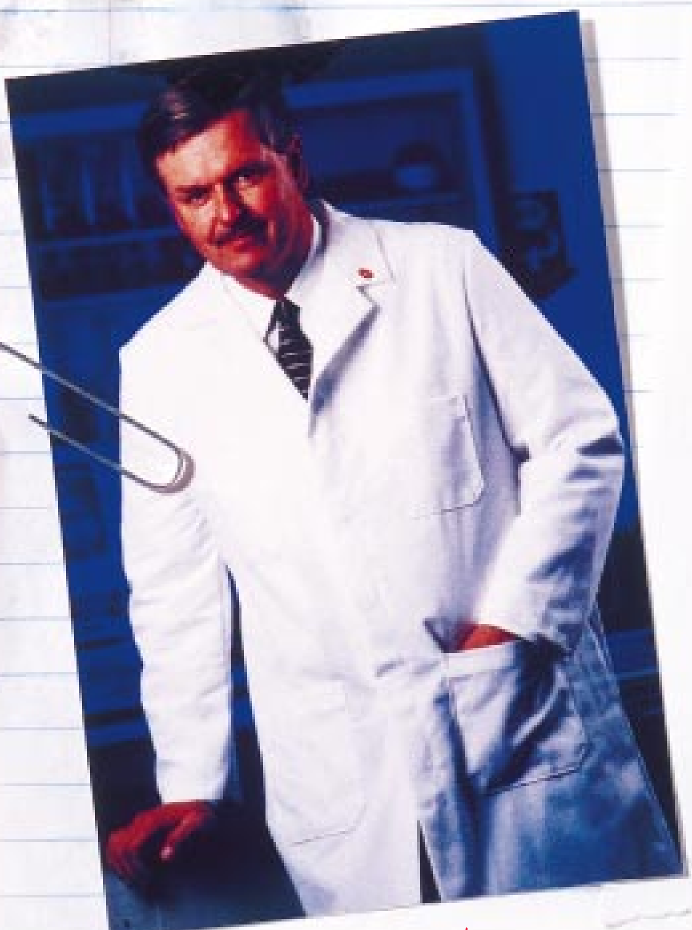
SAN DIEGO – Jack has hit the road.

In a TV ad that is causing more than a minor stir, Jack in the Box has unceremoniously blown up "Jack," the clown head that has greeted the chain's customers for nearly 30 years. Company officials say the ad is designed to signal the chain's recent decision to shift its focus from a menu targeted at kids to more adult fare.

Not everyone is laughing. Reached for comment at the Roosterburg Kids' Fun Centre, Mitzi "Jingles" Hapcott, chairwoman of the Loyal Order of Birthday Party, Bar Mitzvah and Circus Clowns Local 12, voiced her objections. "Violence against clowns is no laughing matter, and the devil-may-care fashion in which Jack has been immolated in this commercial sends a dangerous message to the clown-hating population-at-large, a not-insignificant minority among us," Hapcott said.

"The idea that it's somehow socially acceptable to subject a clown to a powerful explosive charge is not only offensive, but frankly jeopardizes the safety and well-being of clowns who are already afraid to walk outside after dark," she added.

1993



David Theno

Following an outbreak of food-borne illness in the Northwest in 1993, Jack in the Box put in place its industry's most rigorous food-safety system. Under the direction of microbiologist and company Vice President David Theno, Ph.D., Jack in the Box instituted a program known as Hazard Analysis Critical Control Points, or HACCP, based on the food-safety programs NASA devised to keep food safe for astronauts in space. The program has been cited by the USDA as a model for the restaurant industry to follow, and in November 2000, the company received the inaugural award for outstanding leadership in food safety from the Food and Drug Branch of the California Department of Health Services.

1995

In 1995, "Jack" returned with a vengeance to Jack in the Box, taking his rightful place at the center of the popular "Jack's Back" ad campaign. The campaign has been instrumental in building the Jack in the Box brand and in communicating the chain's value, quality and service propositions. Now, six years and a truckload of national and international awards later, the campaign remains extraordinarily popular with the company's 18- to 34-year-old male target consumer.

Through the years, Jack in the Box has developed one of the most varied menus in fast food; the chain's tacos are legendary for their addictive properties, and its finger foods, chicken sandwiches and real ice cream shakes have spawned legions of loyal guests.

2000

12/2/2000

Jack in the Box Inc.
9330 Balboa Avenue
San Diego, Calif. 92123

Say guys,

New equipment, major food-quality improvements, kitchen enhancements, better technology at the drive-thru — look, as a professional numbers guy and an active day-trader, you can't pull one over on me. These investments must be costing you the equivalent of a lost Mars Polar Lander and Climate Orbiter. So tell me, fellas: How are you going to provide shareholders with a solid return on investment once you're done footing these big bills?

Curious,

Biggs Helliwell

Biggs Helliwell
Certified Public Accountant, NASA

Jack in the Box Inc.

12/7/2000

Biggs Helliwell, CPA
c/o NASA
Washington, D.C.

Dear Biggs:

Here's the deal: It turns out that our guests are noticing the enhancements we've put in place, and they're responding by coming in more often and buying more food. That tells us that our philosophy of continuous improvement is working well. Even though it's just been a couple of years since we started making sandwiches only after they're ordered by guests, we're planning to effect further improvements beginning in 2001. See, the changes aren't merely cosmetic: By adapting our drive-thrus to speed food preparation, by investing in the training and retraining of employees, and by continually making our products tastier, we're ensuring that we can accommodate more guests and deliver a superior overall restaurant experience.

Meanwhile, we'll keep searching those skies for you…

Best,

Jack in the Box management

2000

In fiscal 2000, Jack in the Box set down roots in the southeastern U.S., opening restaurants in Baton Rouge, La., Nashville, Tenn., and Charlotte, N.C. Citing market research that indicated the Jack in the Box brand was underpenetrated, President and CEO Bob Nugent declared his intention to eventually make the chain more national in scope. A thoroughly 21st century design, common to the chain's southeastern stores, was crafted for the new markets. The new design attracted plenty of attention and correspondence.

October 2000: Jack in the Box notches its fifth consecutive year of record net earnings. CEO Nugent attributes the consistent gains to "continuing to improve the restaurant experience for our guests, building our brand, and growing in a responsible and consistent manner." The company rolls out a host of exciting new menu items — a toffee-crunch shake, Mozzarella cheese sticks, the Western Cheeseburger and the Extreme Sausage Sandwich with Egg and Cheese — to complement its stable of popular core products, such as the Ultimate Cheeseburger, the Sourdough Jack® hamburger and Jack's Spicy Chicken® sandwich.

3

Subject: **PRODUCTS, SERVICE, VALUE AND QUALITY: AN AREA MANAGER CLOSE-UP**
Date: Tue, 17 oct 00
From: F Merriwether III <masterofdisguise@burgerbully.com>
To: “Dirk Handle” <ceo@burgerbully.com>

Our undercover efforts next took us to the Jack in the Box regional office in St. Louis. There, posing as a reporter, cameraman, sound editor and boom operator from a new PBS documentary program, “Burger Horizons,” we staked out the parking lot and eventually managed to corner an area manager for an interview. He shall remain nameless in the interest of protecting his job and family. Transcript follows:

Pardon me, sir…we’re producing a new PBS program called “Burger Horizons.” Could we have a minute of your time?

Area Manager: “Burger Horizons”?! I know public TV is strapped for cash, but…can this really catch on like “Nova”?

Probably not. It might catch on like MacNeil-Lehrer, though. Listen, we’re working on a feature about highly successful fast-food hamburger chains …

Are those “Burger Bully” cufflinks you’re wearing?

No. My question for you is, as someone who oversees the operations of several restaurants, what’s prompting consumers to choose Jack in the Box more and more frequently over, say, bigger burger chains?

It’s the food. And the service. And the menu variety. And the technology. And the convenience.

Fortunately, we have talented editors who can work with that answer. Let’s run down that list. What differentiates the food from that of your competitors?

A couple of years back, we overhauled all our systems to enable our employees to make sandwiches only after they’re ordered by guests. We trumpet that point of difference in our ad tagline, “We won’t make it ’til you order it®.” The message has really caught on. And we’re not stopping there. We’ve recently unveiled a new kitchen prototype that, along with the continuous cooking of burger patties, will result in even hotter, tastier food. At the same time, we’re rolling out new point-of-sale systems and a double drive-thru that significantly improves the capacity we can handle at one time. Quality is king in this game, but convenience and speed still matter. A lot. We’re continuing to try to make better food faster.

You have what's known in the business as a "two-tier" menu, meaning you offer both discounted items and premium ones. Do customers appreciate that choice?

Of course. That's one way we offer value. Another is to package some of our premium sandwiches, like the Sourdough Jack® and Ultimate Cheeseburger, in combo meals, or with giveaways like the Jack antenna ball. People also appreciate the variety. In addition to those ever-popular burgers, fries and real ice-cream shakes, we also offer tacos, chicken sandwiches, finger foods like the kind you get at midscale restaurants, and…

We get it; we get it. You mentioned menu variety being a positive point of difference from competitors. Doesn't that also increase the complexity of your restaurant kitchens?

There's no question that more menu offerings equals more kitchen complexity. But the company is also working to create excitement with new products that incorporate existing foods in different combinations. For instance, we've offered chili-cheese fries for some time now, and they're a highly popular item. But that means we can also offer chili on our burgers as an extra. People like the variety, and it doesn't require major overhauls to our systems and procedures. It also helps us build check totals.

What's so special about the service here?

The company invests significant resources in training our people on the guest-service frontlines. It doesn't matter how funny and compelling our ads are if we don't provide first-rate service when guests come to our restaurants. We work to help employees feel comfortable in the guest-service role. We make sure they interact naturally, rather than robotically, with guests. And the heavy suggestive-selling pitches are just not part of our world. Don't you hate it when you place an order and, from the first words out of your mouth, some loose-lipped cashier is trying to pressure you into getting something more expensive? Not here. We only make "upsell" suggestions when they can provide better value to our guests.

There's also technology and the added convenience it provides. A couple of years ago, we put in place digital order-confirmation screens at the drive-thru. They help guarantee order accuracy, but they also provide guests with a running total of their order. That way, in the course of deciding what they want, they may decide to go for a larger order of fries or a bigger drink, depending on how much they've got in their pockets.

How do you describe the culture here?

Real collaborative, non-hierarchical, guest-focused. We call it, "Fast food done Jack's Way." As an area manager, if I notice a problem or issue that needs addressing, I'm encouraged to bring that to the attention of our regional vice president. Restaurant managers are empowered to do what it takes to make guests happy, and if for some reason the situation requires attention higher up the ladder, our award-winning guest-relations department works to resolve issues to the guest's satisfaction. The focus is on making sure we have satisfied employees who do their level best to look after customers.

How about letting us have a look at that file under your arm labeled, "Confidential"?

Sorry …you'll have to go with what I've given you. Oh, and say hello to all the other Burger Bullies. Tell 'em the bit about stealing their market share … it's nothing personal. It's just payoff for our hard work.

CONFIDENTIAL

4

THE BIG PICTURE: JBX on WALL STREET
Memo to file
New York, 25 oct '00

We'd gotten all we could on Jack in the Box from inside sources. Now, it was high time to get the investment community's perspective. I arrived after hours at the Broad Street offices of Skittle, Florewacks, Pouch & Tourniquet, the venerable investment house specializing in mutual funds comprising nothing but San Diego-based fast-food hamburger restaurant stocks -- a very tidy little niche. Sneaking past the cleaning crew, I made my way into the office of Heath Pudding, the buy-side analyst covering Jack in the Box Inc. I was able to grab a handful of papers from Pudding's desk and stuff them in the inside pocket of my overcoat before being punched in the throat, led out the door and introduced to the pavement by the building's security goons. They're a little torn and crumpled, but I think you can make out the highlights. As for me, I'm headed to the emergency room. Until next time, I remain,

F. Merriwether III,
Corporate Oaf,
Burger Bully restaurants

SKITTLE, FLOREWACKS, POUCH & TOURNIQUET
190 BROAD ST., SUITE 595 • NEW YORK, NEW YORK 10019
WWW.BURGERS4BUX.COM

company's growth plans call for the chain to increase its number of company-operated units by 10 percent each year, which impresses as an aggressive but measured approach. Unlike more heavily franchised chains, Jack in the Box Inc. will realize all the profit from these new units. And the company has plans to go national. What's more, the company plans to finance most of its growth with cash flow and leasing, not by taking on more debt — a sound strategy. In fact, the company's debt-to-equity ratio has improved from 18:1 to less than 1:1 in just a few years…

building for the future. We appreciate the fact that, unlike some competitors, Jack in the Box Inc. has over the last several quarters met or exceeded analysts' earnings expectations.

sound fundamentals, lack of complacency, a strong, distinctive brand that's withstood the test of time, and a focus on improving the restaurant experience.

we believe it's a good buy.

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 1, 2000 and October 3, 1999, and the related consolidated statements of earnings, cash flows and stockholders' equity for the fifty-two weeks ended October 1, 2000, the fifty-three weeks ended October 3, 1999, and the fifty-two weeks ended September 27, 1998. 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 auditing standards generally accepted in the United States of America. 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 1, 2000 and October 3, 1999, and the results of their operations and their cash flows for the fifty-two weeks ended October 1, 2000, the fifty-three weeks ended October 3, 1999, and the fifty-two weeks ended September 27, 1998, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

San Diego, California
November 6, 2000

JACK IN THE BOX INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

ASSETS	October 1, 2000	October 3, 1999
Current assets:		
Cash and cash equivalents	$ 6,836	$ 10,925
Accounts receivable, net	13,667	11,991
Inventories	25,722	19,889
Prepaid expenses	19,329	15,657
Assets held for sale and leaseback	33,855	38,772
Total current assets	99,409	97,234
Property and equipment:		
Land	88,617	89,352
Buildings	429,845	379,595
Restaurant and other equipment	393,885	334,577
Construction in progress	55,485	55,161
	967,832	858,685
Less accumulated depreciation and amortization	288,474	251,401
	679,358	607,284
Other assets, net	128,061	129,126
	$ 906,828	$ 833,644

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 2,034	$ 1,695
Accounts payable	53,082	44,180
Accrued liabilities	153,356	183,151
Total current liabilities	208,472	229,026
Long-term debt, net of current maturities	282,568	303,456
Other long-term liabilities	86,968	75,270
Deferred income taxes	12,468	8,055
Stockholders' equity:		
Preferred stock	–	–
Common stock $.01 par value, 75,000,000 authorized, 41,483,369 and 41,105,434 issued, respectively	415	411
Capital in excess of par value	294,380	290,336
Retained earnings (accumulated deficit)	61,817	(38,447)
Treasury stock, at cost, 3,134,774 and 2,828,974 shares, respectively	(40,260)	(34,463)
Total stockholders' equity	316,352	217,837
	$ 906,828	$ 833,644

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		
	2000	1999	1998
Revenues:			
Restaurant sales	$ 1,529,328	$ 1,372,899	$ 1,112,005
Distribution and other sales	59,091	41,828	26,407
Franchise rents and royalties	41,432	39,863	35,904
Other	3,461	2,309	49,740
	1,633,312	1,456,899	1,224,056
Costs and expenses:			
Costs of revenues:			
Restaurant costs of sales	473,373	432,231	353,534
Restaurant operating costs	750,620	646,815	549,221
Costs of distribution and other sales	57,812	41,217	25,821
Franchised restaurant costs	20,119	22,732	23,043
Selling, general and administrative	182,794	164,297	134,926
Interest expense	25,830	28,249	33,058
	1,510,548	1,335,541	1,119,603
Earnings before income taxes and extraordinary item	122,764	121,358	104,453
Income taxes	22,500	44,900	33,400
Earnings before extraordinary item	100,264	76,458	71,053
Extraordinary item – loss on early extinguishment of debt, net of taxes	–	–	(4,378)
Net earnings	$ 100,264	$ 76,458	$ 66,675
Earnings per share – basic:			
Earnings before extraordinary item	$ 2.62	$ 2.00	$ 1.82
Extraordinary item	–	–	(.11)
Net earnings per share	$ 2.62	$ 2.00	$ 1.71
Earnings per share – diluted:			
Earnings before extraordinary item	$ 2.55	$ 1.95	$ 1.77
Extraordinary item	–	–	(.11)
Net earnings per share	$ 2.55	$ 1.95	$ 1.66
Weighted average shares outstanding:			
Basic	38,267	38,144	39,092
Diluted	39,334	39,281	40,113

See accompanying notes to consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Fiscal year 2000	1999	1998
Cash flows from operating activities:			
Net earnings before extraordinary item	$ 100,264	$ 76,458	$ 71,053
Non-cash items included in operations:			
Depreciation and amortization	56,766	45,857	40,201
Deferred finance cost amortization	1,664	1,794	1,913
Deferred income taxes	4,413	5,708	585
Decrease (increase) in receivables	(1,676)	3,125	(2,183)
Decrease (increase) in inventories	(5,833)	(1,950)	361
Increase in prepaid expenses	(3,672)	(3,319)	(1,184)
Increase (decrease) in accounts payable	8,902	(7,906)	12,511
Increase (decrease) in other accrued liabilities	(18,768)	35,537	25,925
Cash flows provided by operating activities	142,060	155,304	149,182
Cash flows from investing activities:			
Additions to property and equipment	(127,361)	(134,333)	(111,098)
Dispositions of property and equipment	5,938	12,172	5,431
Increase in trading area rights	(2,656)	(3,864)	(6,763)
Decrease (increase) in assets held for sale and leaseback	4,917	(11,695)	1,297
Other	(4,286)	(4,024)	(8,358)
Cash flows used in investing activities	(123,448)	(141,744)	(119,491)
Cash flows from financing activities:			
Principal payments on long-term debt, including current maturities	(1,777)	(9,833)	(251,504)
Proceeds from issuance of long-term debt	825	4,347	127,690
Borrowings under revolving bank loans	386,000	334,000	224,500
Principal repayments under revolving bank loans	(406,000)	(345,500)	(127,000)
Extraordinary loss on retirement of debt, net of taxes	–	–	(4,378)
Repurchase of common stock	(5,797)	–	(20,000)
Proceeds from issuance of common stock	4,048	4,399	2,426
Cash flows used in financing activities	(22,701)	(12,587)	(48,266)
Net increase (decrease) in cash and cash equivalents	$ (4,089)	$ 973	$ (18,575)
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 24,392	$ 26,873	$ 30,551
Income tax payments	41,110	26,451	28,519

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in thousands, except per share data)

	Common stock		Capital in excess of par value	Retained earnings (accumulated deficit)	Treasury stock	Total
	Number of shares	Amount				
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
Exercise of stock options	377,935	4	1,455	–	–	1,459
Tax benefit associated with exercise of stock options	–	–	2,589	–	–	2,589
Purchases of treasury stock	–	–	–	–	(5,797)	(5,797)
Net earnings	–	–	–	100,264	–	100,264
Balance at October 1, 2000	41,483,369	$ 415	$ 294,380	$ 61,817	$ (40,260)	$ 316,352

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"). We operate and franchise JACK IN THE BOX quick-serve restaurants, principally in the western and southern 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 2000 presentation. Our fiscal year is 52 or 53 weeks ending the Sunday closest to September 30. Fiscal year 1999 includes 53 weeks and all other years include 52 weeks.

Financial instruments – The fair value of cash and cash equivalents, accounts receivable and accounts payable approximate the carrying amounts due to their short maturities. The fair values of each of our 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 our current borrowing rate for similar debt instruments of comparable maturity. The estimated fair values of our long-term debt at October 1, 2000 and October 3, 1999 approximate their carrying values.

We use 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.

We use 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 1, 2000, we had a $25 million notional amount interest rate swap agreement expiring in June 2001. This agreement effectively converts a portion of our variable rate bank debt to fixed rate debt and has a pay rate of 6.38%.

At October 1, 2000, we had no other material financial instruments subject to significant market exposure.

Cash and cash equivalents – We invest 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 and leaseback primarily represent the costs for new sites that will be sold and leased back when construction is completed. 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") 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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 – We evaluate 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. We also account 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 us 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 we have substantially performed all of our 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)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net earnings per share – Basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the additional dilutive effect of all potential common stock and includes the dilutive impact of stock options and warrants.

Stock options – Stock options are accounted for under the intrinsic value based method, 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. Our policy is to grant stock options at fair value at the date of grant. We have included pro forma information in Note 7, as required by SFAS 123, *Accounting for Stock-Based Compensation.*

Advertising costs – The Company maintains a marketing fund consisting of funds contributed by us 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. Our 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 $77,788, $70,297 and $58,256 in 2000, 1999 and 1998, respectively.

Segment reporting – 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. Similar operating segments can be aggregated into a single operating segment if the businesses are similar. We believe we operate 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, we reduced accrued liabilities and restaurant operating costs by $18.0 million, primarily due to a change in estimates resulting from improvements to our 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 our 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

	2000	1999
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, 7.5% at October 1, 2000	$ 66,000	$ 86,000
Senior subordinated notes, 8 3/8% interest, net of discount of $158 and $179, respectively, reflecting an 8.4% effective interest rate due April 15, 2008, redeemable beginning April 15, 2003	124,842	124,821
Financing lease obligations, net of discounts of $1,031 and $1,413 reflecting a 10.3% effective interest rate, semi-annual payments of $3,413 and $747 to cover interest and sinking fund requirements, due in equal installments on January 1, 2003 and November 1, 2003	68,969	68,587
Secured notes, 11 1/2% interest, due in monthly installments through May 1, 2005	6,139	7,011
Capitalized lease obligations, 11% average interest rate	16,229	16,842
Other notes, principally unsecured, 10% average interest rate	2,423	1,890
	284,602	305,151
Less current portion	2,034	1,695
	$ 282,568	$ 303,456

On April 1, 1998, we 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 1, 2000, we had borrowings of $66.0 million and approximately $98.7 million of availability under the agreement.

In 1998, we repaid $125 million of our 9 1/4% senior notes and $125 million of our 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.

We are subject to a number of covenants under our 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. In September 1999, the collateral securing the bank loans was released. However, real and personal property previously held as collateral for the bank loans cannot be used to secure other indebtedness of the Company. In addition, certain of our real and personal property secure other indebtedness.

In January 1994, we 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, we 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, we 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 our option, cause the Partnerships to acquire our residual interest in the properties. If the Partnerships are allowed to retain their interests, we have 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 us. The transactions are reflected as financings with the properties remaining in our consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(continued)

2. LONG-TERM DEBT (continued)

Aggregate maturities and sinking fund requirements on all long-term debt are $3,529, $3,750, $90,773, $37,680 and $2,336 for the years 2001 through 2005, respectively. The 2003 amount is net of $12,706 of accumulated sinking fund payments.

Interest capitalized during the construction period of restaurants was $2,259, $1,469 and $1,203 in 2000, 1999 and 1998, respectively.

3. LEASES

As Lessee – We lease 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 our option and, in some instances, have provisions for contingent rentals based upon a percentage of defined revenues. Total rent expense for all operating leases was $123,465, $108,700 and $94,275, including contingent rentals of $6,551, $6,066 and $4,561 in 2000, 1999 and 1998, respectively.

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

Fiscal year	Capital leases	Operating leases
2001	$ 2,376	$ 107,422
2002	2,376	105,608
2003	2,376	103,279
2004	2,376	100,644
2005	2,359	90,436
Thereafter	20,160	652,461
Total minimum lease payments	32,023	$1,159,850
Less amount representing interest	15,794	
Present value of obligations under capital leases	16,229	
Less current portion	664	
Long-term capital lease obligations	$ 15,565	

Building assets recorded under capital leases were $14,651 and $15,466, net of accumulated amortization of $6,284 and $5,470, as of October 1, 2000 and October 3, 1999, respectively.

As Lessor – We lease or sublease 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 $25,900, $25,134 and $22,747, including contingent rentals of $10,642, $9,655 and $6,976 in 2000, 1999 and 1998, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(continued)

3. LEASES (continued)

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

Fiscal year	Sales-type leases	Operating leases
2001	$ 44	$ 16,769
2002	44	16,172
2003	44	15,224
2004	44	14,353
2005	45	13,186
Thereafter	34	62,247
Total minimum future rentals	255	$ 137,951
Less amount representing interest	67	
Net investment (included in other assets)	$ 188	

Land and building assets held for lease were $42,531 and $44,962, net of accumulated amortization of $21,697 and $20,814, as of October 1, 2000 and October 3, 1999, respectively.

4. INCOME TAXES

The fiscal year income taxes consist of the following:

	2000	1999	1998
Federal – current	$ 14,036	$ 31,227	$ 24,618
– deferred	3,535	6,709	3,707
State – current	4,051	7,965	5,597
– deferred	878	(1,001)	(3,122)
Subtotal	22,500	44,900	30,800
Income tax benefit of extraordinary item	–	–	2,600
Income taxes	$ 22,500	$ 44,900	$ 33,400

Fiscal year income taxes reconcile with the amounts computed at the statutory federal rate of 35% as follows:

	2000	1999	1998
Computed at federal statutory rate	$ 42,968	$ 42,475	$ 36,559
State income taxes, net of federal effect	3,204	4,526	1,609
Jobs tax credit wages	(1,271)	(1,281)	(861)
Adjustment of tax loss, contribution and tax credit carryforwards	–	425	584
Reduction to valuation allowance	(23,579)	(1,842)	(4,581)
Other, net	1,178	597	90
	$ 22,500	$ 44,900	$ 33,400

(Dollars in thousands, except per share data)

4. INCOME TAXES (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:

	2000	1999
Deferred tax assets:		
Tax loss and tax credit carryforwards	$ 3,386	$ 25,123
Accrued insurance	10,513	15,377
Accrued pension and postretirement benefits	18,247	13,296
Accrued vacation pay expense	8,542	7,686
Other reserves and allowances	5,471	7,422
Deferred income	11,279	9,819
Other, net	8,599	8,515
Total gross deferred tax assets	66,037	87,238
Less valuation allowance	3,386	26,965
Net deferred tax assets	62,651	60,273
Deferred tax liabilities:		
Property and equipment, principally due to differences in depreciation	65,941	57,776
Intangible assets	9,178	10,552
Total gross deferred tax liabilities	75,119	68,328
Net deferred tax liabilities	$ 12,468	$ 8,055

During fiscal year 2000, we reached a final agreement with the U.S. Internal Revenue Service ("IRS") to settle a tax case related to the disposition in November 1995 of our interest in Family Restaurants, Inc. We recognized tax benefits of $22,900 primarily as a result of this settlement which reduced our fiscal year 2000 provision for income taxes.

At October 1, 2000, we had tax loss carryforwards that expire in 2001. The valuation allowance of $3,386 as of October 1, 2000 and $26,965 as of October 3, 1999 represents deferred tax assets that may not be realized by the reversal of future taxable differences. The valuation allowance decreased $23,579 in fiscal year 2000 primarily due to the IRS settlement and $2,850 in fiscal year 1999. Other decreases in each year related to the expected future use of deferred tax assets. We believe it is more likely than not that the net deferred tax assets will be realized through future taxable income or alternative tax strategies.

From time to time, we may take positions for filing our 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 IRS has completed its examination or until the statute of limitations has expired. As of October 1, 2000, the IRS had completed its examinations of our federal income tax returns through fiscal year 1996.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(continued)

5. RETIREMENT, SAVINGS AND BONUS PLANS

We have 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 our practice to fund retirement costs as necessary.

	Qualified plans		Non–qualified plan	
	2000	1999	2000	1999
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 68,942	$ 65,369	$ 17,391	$ 16,294
Service cost	4,706	4,744	245	408
Interest cost	4,991	4,541	1,305	1,153
Actuarial gain	(10,097)	(4,192)	(774)	(24)
Benefits paid	(1,703)	(1,520)	(438)	(440)
Plan amendment	–	–	148	–
Benefit obligation at end of year	$ 66,839	$ 68,942	$ 17,877	$ 17,391
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 60,852	$ 55,454	$ –	$ –
Actual return on plan assets	8,419	2,214	–	–
Employer contributions	982	4,704	438	440
Benefits paid	(1,703)	(1,520)	(438)	(440)
Fair value of plan assets at end of year	$ 68,550	$ 60,852	$ –	$ –
Reconciliation of funded status:				
Funded status	$ 1,712	$ (8,090)	$ (17,877)	$ (17,391)
Unrecognized net (gain) loss	(5,596)	8,026	1,798	2,664
Unrecognized prior service cost	(103)	(138)	4,111	4,431
Unrecognized net transition asset	9	19	31	58
Net liability recognized	$ (3,978)	$ (183)	$ (11,937)	$ (10,238)
Amounts recognized in the statement of financial position consist of:				
Accrued benefit liability	$ (3,978)	$ (183)	$ (15,565)	$ (13,599)
Intangible asset	–	–	3,628	3,361
Net liability recognized	$ (3,978)	$ (183)	$ (11,937)	$ (10,238)

In determining the present values of benefit obligations, our actuaries assumed discount rates of 8.0% and 7.5% at the measurement dates of June 30, 2000 and 1999, respectively. The assumed rate of increase in compensation levels was 4% for the qualified plans and 5% for the non-qualified plan in 2000 and 1999. 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.

(Dollars in thousands, except per share data)

5. RETIREMENT, SAVINGS AND BONUS PLANS (continued)

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

	Qualified plans			Non-qualified plan		
	2000	1999	1998	2000	1999	1998
Service cost	$ 4,706	$ 4,744	$ 3,116	$ 245	$ 408	$ 342
Interest cost	4,991	4,541	4,047	1,305	1,153	1,006
Expected return on plan assets	(5,082)	(5,257)	(4,458)	–	–	–
Net amortization	162	426	(26)	587	601	495
Net periodic pension cost	$ 4,777	$ 4,454	$ 2,679	$ 2,137	$ 2,162	$ 1,843

We maintain 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. We contribute an amount equal to 50% of the first 4% of compensation that is deferred by the participant. Our contributions under this plan were $1,426, $1,328 and $1,141 in 2000, 1999 and 1998, respectively. We also maintain 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. We contribute an amount equal to 100% of the first 3% contributed by the employee. Our contributions under the non-qualified deferred compensation plan were $609, $481 and $372 in 2000, 1999 and 1998, respectively. In each plan, a participant's right to Company contributions vests at a rate of 25% per year of service.

We maintain 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 our Board of Directors. Under this plan, $4,654, $6,390 and $3,834 was expensed in 2000, 1999 and 1998, respectively.

We maintain 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 our common stock. We provide a deferment credit equal to 25% of the compensation initially deferred. Under this plan, a total of $0, $562 and $262 was expensed in 2000, 1999 and 1998, 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

We sponsor 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. Our policy is to fund the cost of medical benefits in amounts determined at the discretion of management.

	2000	1999
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 16,465	$ 16,270
Service cost	586	638
Interest cost	1,233	1,137
Actuarial gain	(1,420)	(1,403)
Benefits paid	(95)	(177)
Benefit obligation at end of year	$ 16,769	$ 16,465
Change in plan assets:		
Fair value of plan assets at beginning of year	$ –	$ –
Employer contributions	95	177
Benefits paid	(95)	(177)
Fair value of plan assets at end of year	$ –	$ –
Reconciliation of funded status:		
Funded status	$ (16,769)	$ (16,465)
Unrecognized net gain	(3,351)	(1,965)
Net liability recognized	$ (20,120)	$ (18,430)

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, our actuaries assumed a discount rate of 8.0% and 7.5% at the measurement dates of June 30, 2000 and 1999, respectively.

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

	2000	1999	1998
Service cost	$ 586	$ 638	$ 517
Interest cost	1,233	1,137	1,021
Net amortization	(34)	–	(88)
Net periodic pension cost	$ 1,785	$ 1,775	$ 1,450

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 1, 2000 by $3,553, or 21%, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2000 by $483 or 27%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

7. STOCK OPTIONS

We offer 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, we adopted the 1992 Employee Stock Incentive Plan (the “1992 Plan”) and, as part of a merger, assumed outstanding options to employees under our 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, we 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, we adopted the Non-Employee Director Stock Option Plan (the “Director Plan”). Under the Director Plan, any eligible director of Jack in the Box Inc. who is not an employee of the Company or its subsidiaries 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)

7. STOCK OPTIONS (continued)

The following is a summary of stock option activity for the three fiscal years ended October 1, 2000:

		Option exercise price per share	
	Shares	Range	Weighted average
Balance at September 28, 1997	3,157,034	$ .96 - 12.63	$ 7.90
Granted	761,046	17.44 - 19.06	8.93
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
Granted	699,574	23.25 - 23.88	23.25
Exercised	(377,935)	.96 - 19.06	3.92
Canceled	(128,922)	5.75 - 26.63	20.39
Balance at October 1, 2000	4,056,430	1.13 - 26.63	15.16

The following is a summary of stock options outstanding at October 1, 2000:

	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
$ 1.13 - 6.38	627,661	3.19	$ 3.87	626,838	$ 3.87
6.50 - 11.00	894,764	3.83	8.78	857,022	8.83
12.13 - 19.06	1,272,288	7.48	15.73	808,786	14.64
23.25 - 26.63	1,261,717	9.47	24.72	222,127	24.98
1.13 - 26.63	4,056,430	6.63	15.16	2,514,773	10.90

At October 1, 2000, October 3, 1999 and September 27, 1998, the number of options exercisable were 2,514,773, 2,503,009 and 2,239,930, respectively, and the weighted average exercise prices of those options were $10.90, $8.62 and $7.32, respectively.

For purposes of the following pro forma disclosures required by SFAS 123, the fair value of each option granted after fiscal year 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 5.9%, 5.5% and 5.7% in 2000, 1999 and 1998, respectively; expected volatility of 40%, 35% and 34%, respectively; and an expected life of six years in each year. We have not paid any cash or other dividends and do not anticipate paying dividends in the foreseeable future, therefore the expected dividend yield is zero.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(continued)

7. STOCK OPTIONS (continued)

The weighted average fair value of options granted was $11.26 in 2000, $11.58 in 1999 and $8.32 in 1998. 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 $97,620, or $2.55 per basic share and $2.48 per diluted share, in 2000; $74,391, or $1.95 per basic share and $1.89 per diluted share, in 1999 and $65,011, or $1.66 per basic share and $1.62 per diluted share, in 1998.

For the pro forma disclosures, the options' estimated fair values were amortized over their vesting periods of up to five years. 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

We have 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 our 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 the Company's Series A Junior Participating Cumulative Preferred Stock, or, under certain circumstances, shares of common stock of Jack in the Box Inc. 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 383,486 shares of Series A Junior Participating Cumulative Preferred Stock reserved for issuance upon exercise of the Rights.

At October 1, 2000, we had 6,068,724 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:

	2000	1999	1998
Shares outstanding, beginning of fiscal year	38,276,460	37,927,925	39,096,815
Effect of common stock issued	200,074	215,635	144,739
Effect of common stock reacquired	(209,048)	–	(150,047)
Weighted average shares outstanding – basic	38,267,486	38,143,560	39,091,507
Assumed additional shares issued upon exercise of stock options and warrants, net of shares reacquired at the average market price	1,066,579	1,136,949	1,021,378
Weighted average shares outstanding – diluted	39,334,065	39,280,509	40,112,885

The diluted weighted average shares outstanding computation excludes 1,047,684, 345,040 and 290,042 antidilutive stock options in 2000, 1999 and 1998, respectively.

10. CONTINGENCIES AND LEGAL MATTERS

In 1998, we settled litigation 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. In the settlement we received approximately $58.5 million, 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 revenues in 1998.

On February 2, 1995, an action by Concetta Jorgensen was filed against us 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. We have 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 us to make access improvements at Company-operated restaurants to comply with the standards set forth in the ADA Access Guidelines. The settlement requires compliance at Company-operated restaurants by October 2005. We have begun to make modifications to our restaurants to improve accessibility and anticipate investing an estimated $24 million in capital improvements in connection with these modifications, including approximately $11 million spent through October 1, 2000. Similar claims have been made against JACK IN THE BOX franchisees and us relating to franchised locations which may not be in compliance with the ADA. A settlement agreement has been reached which provides for injunctive relief requiring franchisees to bring their franchised restaurants into compliance with the ADA, and requiring payment by us of monitoring expenses to ensure compliance and attorney’s fees.

We are also subject to normal and routine litigation. The amount of liability from the claims and actions against us 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 our results of operations and liquidity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(continued)

10. CONTINGENCIES AND LEGAL MATTERS (continued)

We have six whollyowned 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 our consolidated revenues). Each of the Subsidiary Guarantors’ guarantees of our $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 1, 2000	October 3, 1999
Accounts receivable:		
Trade	$ 5,871	$ 7,989
Construction advances	4,857	2,835
Notes	455	67
Other	3,579	2,929
Allowances for doubtful accounts	(1,095)	(1,829)
	$ 13,667	$ 11,991
Other assets:		
Trading area rights, net of amortization of $33,183 and $29,057, respectively	$ 71,565	$ 73,033
Lease acquisition costs, net of amortization of $26,088 and $24,625, respectively	13,746	15,352
Other, net of amortization of $16,071 and $14,681, respectively	42,750	40,741
	$ 128,061	$ 129,126
Accrued liabilities:		
Payroll and related taxes	$ 47,842	$ 43,066
Sales and property taxes	15,364	17,978
Insurance	27,696	28,548
Advertising	11,419	15,517
Capital improvements	13,142	14,753
Interest	6,864	7,092
Income tax liabilities	5,887	30,767
Other	25,142	25,430
	$ 153,356	$ 183,151

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

(continued)

12. QUARTERLY RESULTS OF OPERATIONS (Unaudited)

Fiscal Year 1999	16 weeks ended Jan. 17, 1999	12 weeks ended Apr. 11, 1999	12 weeks ended July 4, 1999	13 weeks ended 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
Net earnings per share:				
Basic	.41	.66	.45	.48
Diluted	.40	.64	.44	.47

Fiscal Year 2000	16 weeks ended Jan. 23, 2000	12 weeks ended Apr. 16, 2000	12 weeks ended July 9, 2000	12 weeks ended Oct. 1, 2000
Revenues	$ 476,806	$ 370,495	$ 390,311	$ 395,700
Gross profit	94,110	74,243	82,150	80,885
Net earnings	20,392	16,085	20,808	42,979
Net earnings per share:				
Basic	.53	.42	.54	1.12
Diluted	.52	.41	.53	1.09

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

Results of Operations

All comparisons under this heading between 2000, 1999 and 1998 refer to the 52-week period ended October 1, 2000, the 53-week period ended October 3, 1999, and the 52-week period ended September 27, 1998, respectively, unless otherwise indicated.

Revenues

Company-operated restaurant sales were $1,529.3 million, $1,372.9 million and $1,112.0 million in 2000, 1999 and 1998, respectively. Restaurant sales improved from the prior year by $156.4 million, or 11.4%, in 2000 and $260.9 million, or 23.5%, in 1999, 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 1,242 in 2000 from 1,120 in 1999 and 998 in 1998 with new restaurant openings of 120, 115 and 102, respectively. PSA weekly sales for comparable restaurants increased 3.3% in 2000, 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. We believe restaurant sales improvements result from our two-tier marketing strategy featuring both premium sandwiches and value-priced alternatives, as well as to a popular brand-building advertising campaign that features our fictional founder, "Jack". Also contributing to sales growth were our strategic initiatives, including an Assemble-to-Order ("ATO") program in which sandwiches are made when customers order them, menu boards that showcase combo meals and an order confirmation system at the drive-thru.

Distribution and other sales were $59.1 million, $41.8 million and $26.4 million in 2000, 1999 and 1998, respectively. Distribution sales of food and supplies to franchisees and others were $31.2 million in 2000, $30.9 million in 1999 and $24.3 million in 1998, reflecting increases in the number of restaurants serviced by our distribution division and PSA sales growth at franchise restaurants. Other sales from fuel and convenience store operations increased to $27.9 million in 2000 from $10.9 million in 1999 and $2.1 million in 1998 as the number of locations we operate was seven during 2000 having grown to that level principally during 1999.

Franchise rents and royalties were $41.4 million, $39.9 million and $35.9 million in 2000, 1999 and 1998, respectively, or 10.6% of sales at franchise-operated restaurants in 2000 and 10.4% in 1999 and 1998. Franchise restaurant sales were $391.9 million in 2000, $384.7 million in 1999 and $345.9 million in 1998. The percentage of sales in 2000 grew primarily due to increases in percentage rents at certain franchised restaurants.

In 2000, other revenues, typically interest income from investments and notes receivable, also included $1.9 million received for refranchising 13 restaurants and fees that franchisees paid to extend the term of their franchises for three years. In 1998, other revenues 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 the unusual items, other revenues were $1.6 million, $2.3 million and $4.0 million in 2000, 1999 and 1998, respectively, reflecting lower investments as cash has been utilized in refinancing activities.

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 $473.4 million in 2000 from $432.2 million in 1999 and $353.5 million in 1998. As a percent of restaurant sales, costs of sales were 31.0% in 2000, 31.5% in 1999 and 31.8% in 1998. The restaurant costs of sales percentages decreased in 2000 and 1999 compared to 1998 primarily due to favorable ingredient costs, principally dairy, shortening and bakery in 2000 and beef, pork and beverages costs in 1999.

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

(continued)

Restaurant operating costs were $750.6 million, $646.8 million and $549.2 million in 2000, 1999 and 1998, respectively. In 1999, we reduced accrued liabilities and restaurant operating costs by $18.0 million, primarily due to a change in estimates resulting from improvements to our 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 our workers' compensation, general liability and other insurance programs. Restaurant operating costs were 49.1% of restaurant sales in 2000, 48.4% in 1999, excluding the change in estimates, and 49.4% in 1998. The percentage in 2000 increased compared to 1999 primarily reflecting costs related to initiatives designed to improve the overall guest experience and slightly higher labor-related costs. The restaurant operating costs percentage declined in 1999 compared to 1998, reflecting improved rates of labor-related costs and occupancy expenses, which increased at lesser rates than PSA sales growth.

Costs of distribution and other sales were $57.8 million in 2000, $41.2 million in 1999 and $25.8 million in 1998, reflecting an increase in the related sales. Costs of distribution and other sales were 97.8% of related sales in 2000, 98.5% in 1999 and 97.8% in 1998. The higher percentage in 1999 was primarily due to start-up costs related to fuel and convenience store operations.

Franchised restaurant costs, which consist principally of rents and depreciation on properties leased to franchisees and other miscellaneous costs, were $20.1 million, $22.7 million and $23.0 million in 2000, 1999 and 1998, respectively. The declines in 2000 and 1999 compared to 1998 principally reflect decreases in franchise-related legal expenses.

Selling, general and administrative expenses were $182.8 million, $164.3 million and $134.9 million in 2000, 1999 and 1998, respectively. Advertising and promotion costs were $77.8 million in 2000, $70.3 million in 1999 and $58.3 million in 1998, representing approximately 5.1% of restaurant sales in 2000 and 1999 and 5.2% in 1998. General, administrative and other costs were approximately 6.4% of revenues in 2000, 6.5% in 1999 and 6.3% in 1998. 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 our 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 $25.8 million in 2000 from $28.2 million in 1999 and $33.1 million in 1998, 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 $63.6 million and certain debt has been refinanced at lower rates.

The tax provisions reflect effective annual tax rates of 18%, 37% and 32% of pre-tax earnings in 2000, 1999 and 1998, respectively. The favorable income tax rates in each year result from our ability to realize, as our profitability has improved, previously unrecognized tax benefits such as business tax credit, tax loss and minimum tax credit carryforwards. Also contributing to the effective rate decline in 2000 was our settlement with the U.S. Internal Revenue Service of a tax case related to the disposition in November 1995 of our interest in Family Restaurants, Inc. We recognized tax benefits of $22.9 million primarily as a result of this settlement.

In 1998, we 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 9 1/4% senior notes and 9 3/4% senior subordinated notes.

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

(continued)

Net earnings were $100.3 million, or $2.55 per diluted share in 2000, $76.5 million, or $1.95 per diluted share, in 1999 and $66.7 million, or $1.66 per diluted share, in 1998. Each year includes unusual items, which increased our net earnings. In 2000, we reached a final agreement with the U.S. Internal Revenue Service to settle a tax case as described above. This settlement increased 2000 net earnings by $22.9 million or $.58 per diluted share. 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 addition, 1999 included a 53rd week that contributed an extra $1.4 million in net earnings, or $.04 per diluted share. 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 items, earnings increased 22% to $77.4 million or $1.97 per diluted share in 2000 from $63.7 million or $1.62 per diluted share, in 1999, which had increased 40% from $45.4 million, or $1.13 per diluted share in 1998.

Liquidity and Capital Resources

Cash and cash equivalents decreased $4.1 million to approximately $6.8 million at October 1, 2000 from approximately $10.9 million at the beginning of the fiscal year. We expect 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.

Our working capital deficit decreased $22.7 million to $109.1 million at October 1, 2000 from $131.8 million at October 3, 1999, principally due to a decline in income tax liabilities. 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. We also continually invest in our 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.

Our revolving bank credit agreement provides for a credit facility expiring in 2003 of up to $175 million, including letters of credit of up to $25 million. At October 1, 2000, we had borrowings of $66.0 million and approximately $98.7 million of availability under the agreement. Total debt outstanding has decreased $20.6 million to $284.6 million at October 1, 2000 from $305.2 million at the beginning of fiscal year 2000.

We are subject to a number of covenants under our 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. In September 1999, the collateral securing the bank credit facility was released. However, real and personal property previously held as collateral for the bank credit facility cannot be used to secure other indebtedness of the Company. In addition, certain of our real and personal property secure other indebtedness.

We require 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. Our 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, we expect that sufficient cash flows will be generated from operations so that, combined with available financing alternatives, we will be able to meet debt service, capital expenditure and working capital requirements.

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

(continued)

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 our results of operations and liquidity.

On December 3, 1999, our Board of Directors authorized the purchase of our outstanding common stock in the open market for an aggregate amount not to exceed $10 million. At October 1, 2000, we had acquired 305,800 shares under this authorization for an aggregate cost of $5.8 million.

Seasonality

Our 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.

Future Accounting Changes

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") 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, as amended by SFAS 137 and SFAS 138, is effective for our first quarter in the fiscal year ending September 30, 2001 and is not expected to have a material effect on our financial position or results of operations.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin 101 "SAB101", *Revenue Recognition in Financial Statements,* summarizing their views for applying generally accepted accounting principles to revenue recognition in financial statements. Although we have determined that the adoption of SAB101 should not have a material effect on our annual results of operations, it will impact the reporting of our franchise percentage rent between quarters within the year. As permitted by SAB101, we plan to adopt the new standard in the fourth quarter of fiscal year 2001 at which time we will restate the earlier quarters of the year.

Quantiitive And Qualitative Disclosures About Market Risk

Our primary exposure relating to financial instruments is to changes in interest rates. We use interest rate swap agreements to reduce exposure to interest rate fluctuations. At October 1, 2000, we had a $25 million notional amount interest rate swap agreement expiring in June 2001. This agreement effectively converts a portion of our variable rate bank debt to fixed rate debt and has a pay rate of 6.38%.

Our $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 1, 2000, our applicable margin was set at .625%. In fiscal year 2000, the average interest rate paid on the credit facility was approximately 6.9%.

At October 1, 2000, a hypothetical one percentage point increase in short-term interest rates would result in a reduction of $.4 million in annual pre-tax earnings. The estimated reduction is based on holding the unhedged portion of bank debt at its October 1, 2000 level.

At October 1, 2000, we 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		13 weeks ended
	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

	16 weeks ended	12 weeks ended		
	Jan. 23, 2000	Apr. 16, 2000	July 9, 2000	Oct. 1, 2000
High	$ 27.00	$ 26.00	$ 26.88	$ 26.88
Low	18.50	18.81	22.94	20.00

FIVE YEAR FINANCIAL SUMMARY

(Dollars in thousands, except per share data)

The following selected financial data summarizes certain consolidated financial information for each fiscal year. Fiscal year 1999 includes 53 weeks and all other years include 52 weeks.

	FISCAL YEAR				
	2000	1999	1998	1997	1996
Statement of Operations Data:					
Total revenues (1)	$ 1,633,312	$ 1,456,899	$ 1,224,056	$ 1,071,742	$ 1,062,822
Depreciation and amortization	56,766	45,857	40,201	37,922	36,491
Earnings before interest and income taxes (1)(2)(3)	148,594	149,607	137,511	85,562	71,477
Earnings (3)(4)	100,264	76,458	71,053	35,303	20,051
Earnings per share (3)(4):					
Basic	2.62	2.00	1.82	.91	.52
Diluted	2.55	1.95	1.77	.89	.51
Balance Sheet Data (at period end):					
Total assets	$ 906,828	$ 833,644	$ 743,588	$ 681,758	$ 653,638
Long-term debt	282,568	303,456	320,050	346,191	396,340
Stockholders' equity	316,352	217,837	136,980	87,879	51,384

(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 as described in Note 1 to the Consolidated Financial Statements.

(3) Before extraordinary items in 1998 and 1997.

(4) Includes the recognition of $22.9 million tax benefits in 2000 primarily from the settlement of a tax case as described in Note 4 to the Consolidated Financial Statements.

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
Executive Vice President,
Chief Financial Officer
and Chief Administrative Officer

EDWARD W. GIBBONS
General Partner
Gibbons, Goodwin, van Amerongen

JACK W. GOODALL
Chairman of the Board

ALICE B. HAYES, PH.D.
President
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:

KAREN C. BACHMANN
Vice President, Corporate Communications

VICTORIA S. BRUSH
Assistant Secretary and Corporate Counsel

CARLO E. CETTI
Vice President, Human Resources
and Strategic Planning

STEPHANIE CLINE
Vice President, Chief Information Officer

CHARLES W. DUDDLES
Executive Vice President, Chief Financial
Officer and Chief Administrative Officer

KAREN GENTRY
Vice President, Franchising

LINDA A. LANG
Vice President and Regional Vice President,
Southern California

WILLIAM F. MOTTS
Vice President, Restaurant Development

ROBERT J. NUGENT
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

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

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 2000 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:
Mellon Investor Services LLC
Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660
(800) 522-6645
www.chasemellon.com

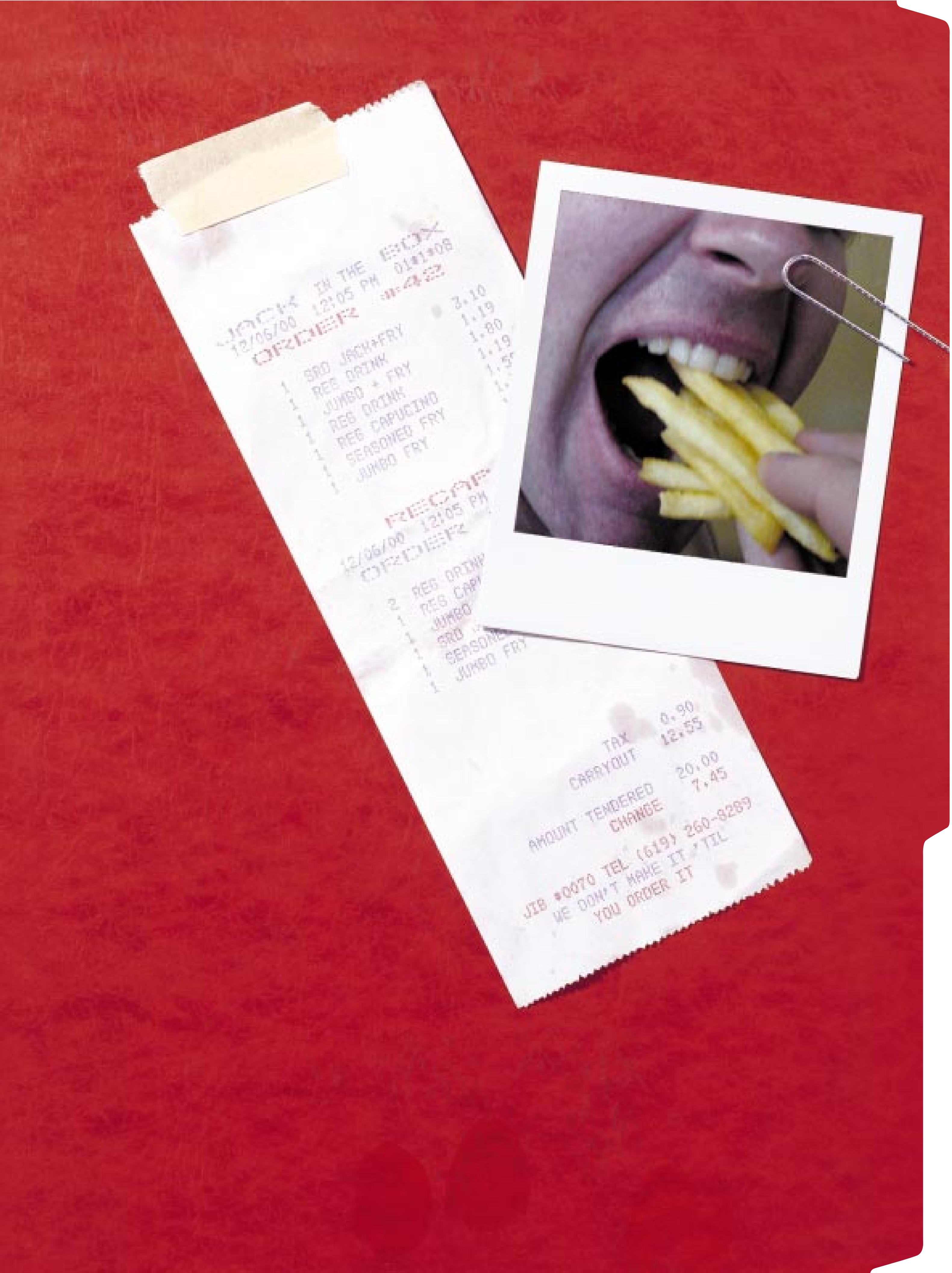
STOCK EXCHANGE LISTING:
Jack in the Box Inc. common stock is traded on the New York Stock Exchange under the symbol *JBX*. The company is identified as *JackinBox* in most newspaper stock listings.

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 four 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 23, 2001, 2 p.m.
Copley Symphony Hall
750 B Street
San Diego, CA 92101
(619) 231-0938

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

For general information about Jack in the Box Inc., connect to the company's web site at www.jackinthebox.com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12/06/00 12:05 PM 01#1#08
ORDER #48
1 SRO JACK+FRY 3.10
1 REG DRINK 1.19
1 JUMBO + FRY 1.80
1 REG DRINK 1.19
1 REG CAPUCINO
1 SEASONED FRY
1 JUMBO FRY
12:05 PM
12/06/00
ORDER
2 REG DRINK
1 JUMBO
1 SRO
1 JUMBO FRY
TAX 0.90
CARRYOUT 12.55
AMOUNT TENDERED 20.00
CHANGE 7.45
JIB #0070 TEL (619) 260-8289
WE DON'T MAKE IT 'TIL
YOU ORDER IT


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