PIZZA

PAPA JOHN'S®

Thinking INSIDE the Box!

Papa John's International, Inc. 1999 Annual Report

1999 American Customer Satisfaction Index

All Fast Food Restaurants	Score
Papa John's	**76**
Wendy's	71
Group average	69
Pizza Hut	68
Domino's Pizza	67
Burger King	66
KFC	64
Taco Bell	64
McDonald's	61

Source: *National Quality Research Center at the University of Michigan Business School, as reported in The Wall Street Journal, February 22, 2000.*

2000 R&I Choice In Chains

Pizza Category	Overall Score	Food Quality	Value	Service	Cleanliness
Papa John's	**36**	**56**	**38**	**37**	**33**
Pizza Hut	35	54	29	31	29
Domino's Pizza	32	42	33	33	27

Source: *2000 R&I Choice in Chains survey results, as reported in Restaurants and Institutions, March 1, 2000.*


PAPA JOHNS
Special
Garlic Sauce

to our SHAREHOLDERS, Team Members and Franchise Family

By any standard, 1999 was a year of great success for our company. Let me highlight a few of our accomplishments of the past year:

- We achieved record systemwide sales of more than $1.4 billion, making Papa John's the third largest pizza company in the world.
- We opened a record 401 new restaurants, ending the year with nearly 2,300 restaurants throughout the U.S. and five international markets.
- We grew systemwide comparable sales by 5.5%.
- We experienced record earnings per share, with growth of approximately 43% over 1998.
- Most importantly, consumers across America continued to vote Papa John's #1 in quality and customer satisfaction.

Papa John's International
Founder and Chief Executive Officer
John H. Schnatter

What's the secret to our success? One word – focus. Focus on that all-important customer experience. We believe quality people, quality product and legendary service (we call this "PPS" at our restaurants) are the keys to giving our customers both a quality and memorable experience. Since 80% of brand loyalty comes from the customer experience, we have to continue thinking *inside* the (pizza) box – making 9s and 10s (on our Ten Point Perfect Pizza scale!) with only superior-quality ingredients – to achieve our goal of becoming the number one pizza brand in the world.

While the competition has done back flips trying to slow our momentum in the marketplace, from new product roll-outs to marketing gimmicks, even resorting to lawsuits, they haven't been able to "stoppa the Papa." Why? Because we've resisted the temptation to get off focus or waiver on our quality commitment.

Consumers tell us our impassioned focus on quality is working. For *four* years running, Papa John's has been ranked number one among national pizza chains in both quality and overall customer satisfaction in the prestigious *Restaurants and Institutions*' Choice in Chains survey. And in our first year of being included in the survey, Papa John's earned the highest rating among *all* fast food companies in the 1999 American Customer Satisfaction Index (compiled by The National Quality Research Center at the University of Michigan Business School). What an honor!

I'm very proud of our accomplishments in 1999 and wish to extend my thanks to the 65,000+ Papa John's team members and our entire franchise family. It is because of you that I am able to report our outstanding results and our continued wins in the marketplace.

When it comes to earning the customer's trust, there are no shortcuts or silver bullets. It takes time; it takes consistency; and most of all, it takes execution, day-in and day-out. Staying focused on our quality strategy takes an incredible amount of discipline and commitment. But it's who we "brung to the dance" and who we plan to keep dancing with! Thanks for your continued support.

Sincerely,

John H. Schnatter

John H. Schnatter

Founder and Chief Executive Officer

A PROMISE Kept

The pizza business seems to get more competitive every year – 1999 was no exception. In addition to several national and regional chains fighting for a bigger slice of the $22 billion-a-year pie, virtually every community in America now boasts an impressive independent local pizzeria.

So why are we excited with Papa John's position in the marketplace today? It's not because we're the fastest growing pizza company in America (although we're pretty pleased about that!). We're excited because we know our success is directly related to keeping a promise we made to the pizza eating public more than 15 years ago.

In 1985 we made a commitment to consistently provide our customers with a superior-quality, traditional pizza using only high-quality ingredients. Staying committed to this strategy has taken an incredible amount of focus and discipline. But we've never regretted it. It's the right horse and we're going to keep riding it – we give you our word.

There are many ways to measure success in the pizza business – comparable sales growth, increasing market share, best pizza awards – and we're proud to share a few of our 1999 achievements with you. But when you cut through all the nonsense, and get right to the heart of what Papa John's is about, you always come back to delivering on our promise of superior-quality, traditional pizza.

Papa John's Sauce – Made from vine ripened, fresh-packed tomatoes. Contains only natural ingredients.

A SLICE Above

One of the most important indicators of our success is a repeat order from a loyal Papa John's customer. Many folks still buy pizza based entirely on whose coupon is stuck on their refrigerator. We're trying to change that mindset by consistently exceeding our customers' expectations through a superior-quality product and legendary service.

Life-long customer loyalty begins with providing a great customer experience: Is every restaurant making a superior-quality, traditional pizza? Do our restaurant team members and delivery drivers act like ambassadors of the brand? Is the pizza delivered hot and in a reasonable amount of time? If we do these things right, we build trust with our customers and they come back to patronize Papa John's.

Our momentum in the marketplace is confirmed by CREST industry sales and traffic numbers. CREST is the leading independent marketing research firm in the restaurant industry.

For the twelve months ended August 1999, our sales were up 34 percent, while the pizza category as a whole (including the independents) was up 8 percent and the other three big chains were up a combined 4 percent.

Papa John's Original Dough – Made daily in our quality control centers from high protein Hard Red Spring Wheat flour and clear-filtered water.

Traffic counts at our restaurants were also up 29 percent for the same twelve-month period. The pizza category as a whole was up 4 percent, while the other big chains' traffic declined 1 percent.

CREST numbers show you if your sales and traffic are going up or down. *Restaurants and Institutions'* Choice in Chains consumer survey tells you why. Measuring attributes like quality, service, value and convenience, the Choice in Chains survey has become an important industry barometer in the pizza category. This year, Papa John's was

named the Platinum winner as the best pizza chain in America. This marks the fourth consecutive year Papa John's has been ranked number one in quality and customer satisfaction among national pizza chains in this prestigious survey.

In addition, in its first year of being included in the American Customer Satisfaction Index (1999), Papa John's received the highest rating among *all* national fast food restaurants. This survey, conducted by the National Quality Research Center at the University of Michigan Business School, measures expectations and perceptions of value and quality. We're very proud of this honor!

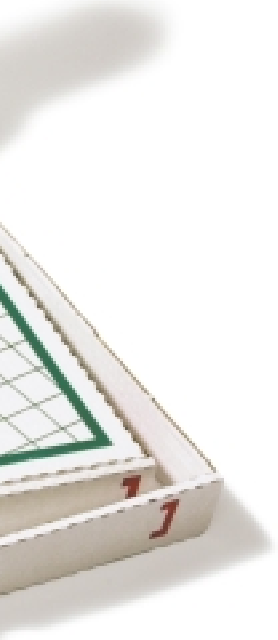
Papa John's Baby PapaBella™ Mushrooms – Fresh and tender baby portabella mushrooms.

Papa John's 100% Real Cheese – Made with the lowest-fat whole milk mozzarella used by any national pizza chain.

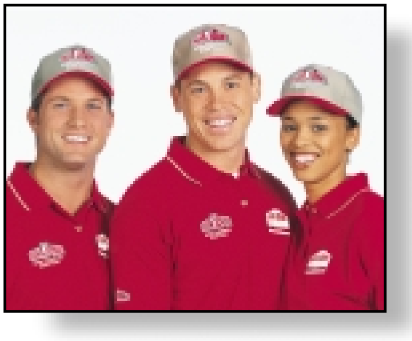
our FRONT LINE is our Bottom Line

At Papa John's, we try to hire the most passionate pizza people in the industry. Why? Because research tells us that 80% of brand loyalty comes from the customer experience. It is the front line that makes or breaks the customer experience – so they are the bottom line of our organization.

Our limited menu of pizza, breadsticks, cheesesticks and soft drinks keeps our operations streamlined. This allows our team members to focus on those things that result in operational excellence.



There is no substitute for outstanding front line operations; great advertising can make a pizza sound good, but it will never make the pizza taste good. Our industry leading restaurant sales averages are directly attributable to the efforts of our front line team members.



Papa John's team members – focused on customer experience and operational excellence.

we keep GROWING and GROWING and GROWING...

1999 was again a year of record-breaking growth for Papa John’s. We opened 401 new restaurants (36 corporate and 365 franchised) compared with the previous year’s record of 372 openings. We acquired a record 65 domestic restaurants from our franchisees in 1999, compared with

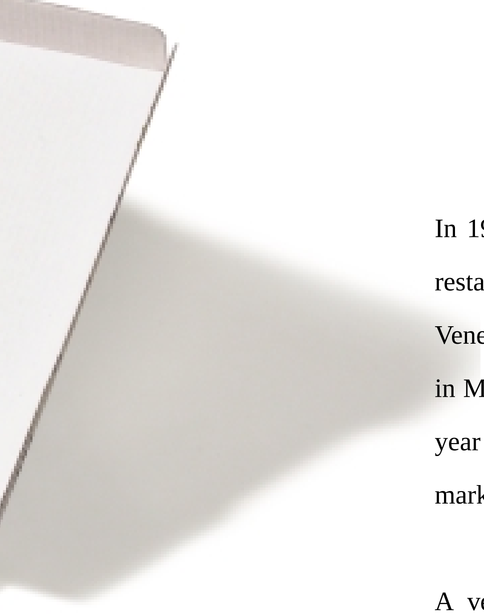
21 in 1998. We celebrated the opening of Store 2,000 in Denver – well ahead of our long-stated goal of achieving 2,000 restaurants in the year 2000. Domestically, we finished the year with 2,252 restaurants in 47 states and the District of Columbia.

Orlando Quality Control Center

Our PJ Food Service Quality Control Centers continue to be an integral part of the Papa John's quality story. As the sole producer of our fresh pizza dough, and as a single source supplier for the majority of other high-quality ingredients used by our restaurants, PJ Food Service is our secret weapon in the battle for pizza preeminence (although with 11 centers located around the country, they're not so secret anymore). To continue to support our restaurant growth, in 1999 we converted our Dallas distribution center into a full-service facility and, in January 2000, we opened a new center in Pittsburgh.

Papa John's restaurants currently operate in 47 states, the District of Columbia and five international markets.

think GLOBALLY, compete LOCALLY



In 1999 we opened 20 new international restaurants in Guatemala, Costa Rica and Venezuela. Combined with our restaurants in Mexico and Puerto Rico, we ended the year with 26 restaurants in five international markets.

Papa John's and Perfect Pizza – working together to provide customers in the United Kingdom with a superior-quality pizza.

A very exciting growth opportunity for Papa John's came with our purchase in November 1999 of the 205-unit Perfect Pizza chain in the United Kingdom. This marriage makes sense for a lot of reasons: Perfect Pizza is the quality leader and largest independent chain in the United Kingdom; we retain their experienced management team; we benefit from a lot of great real estate (which would have been nearly impossible to secure building restaurants from scratch); and the acquisition gives us an immediate presence in Europe and a great launching pad for our development in the Middle East.


Hawaii
Alaska
United States
Quality Control Centers

▲ Restaurant Locations Existing Development Areas Committed Development Areas

COMMUNITY INVOLVEMENT

While our growth allows us to build brand awareness through national electronic media, we know there is no substitute for building consumer trust and loyalty in each of our individual markets.

With so many good competitors out there, our restaurant operators must think and operate like the successful corner store entrepreneur who is still thriving in the era of mega-malls and dot-coms. As any successful small business owner will tell you, being involved in the community is an important way to forge relationships with your customers.

Papa John's national partner, The V Foundation for Cancer Research, is named for Jim Valvano.

During 1999, we complemented our local giving programs with three national partnerships: The V Foundation for Cancer Research; FFA (formerly Future Farmers of America); and our Papa John's Scholars Program.

"Don't ever give up" is the motto of The V Foundation for Cancer Research, named for legendary college basketball coach Jim Valvano who lost a battle with cancer in 1993. With the help of colorful college basketball analyst, Dick Vitale, and other celebrity athletes, The V Foundation has raised more than eleven million dollars for cancer research since its inception in 1993. In 1999, Papa John's increased its commitment to The V Foundation and partnered with Vitale on several promotions to raise money for cancer research and treatment. In 2000, we hope to raise half a million dollars for The V Foundation through promotions with our restaurants.

Papa John's Olives – Ripe black olives grown in the fertile soils of southern Spain.

For the first time in its 70-year history, in 1999 the national FFA convention was held in our hometown of Louisville, Kentucky. Papa John's served as the national sponsor for the FFA Creed Speaking Event, which for years has fostered the personal development of tens of thousands of America's future agricultural leaders. Our Founder addressed the 500 state leadership delegates at the convention, challenging each of them to stay faithful to quality agriculture. FFA's focus on high-quality agricultural practices makes it a perfect partner for America's most quality-focused pizza company.

Papa John's Meats – Ground beef, sausage and Italian sausage made from 100% beef and 100% pork.

Finally, in 1999 Papa John's awarded more than $1 million in scholarships to deserving high school seniors seeking to continue their education in college. In 2000, we again plan to grant more than $1 million in scholarships to students across the country.

the YEARS Ahead

The pizza business is highly competitive. It's especially tough if you don't know what you stand for. We do.

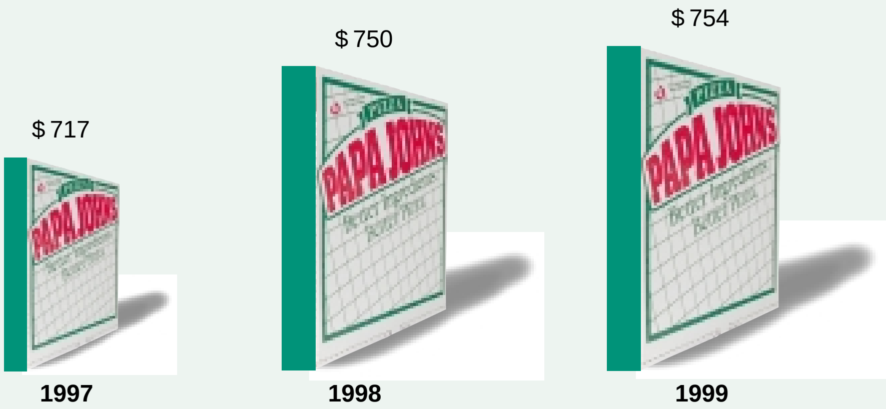
Fifteen years ago, Papa John's stood for quality. Today, Papa John's stands for quality. And fifteen years from now, Papa John's will still stand for quality. We've found that when you're building a distinctive and meaningful identity for yourself in the marketplace, you can never be too focused on what you stand for and you can never take for granted what your customers have come to expect from you.


PAPA JOHNS
PIZZA
PEOPLE
FOCUS

Sales

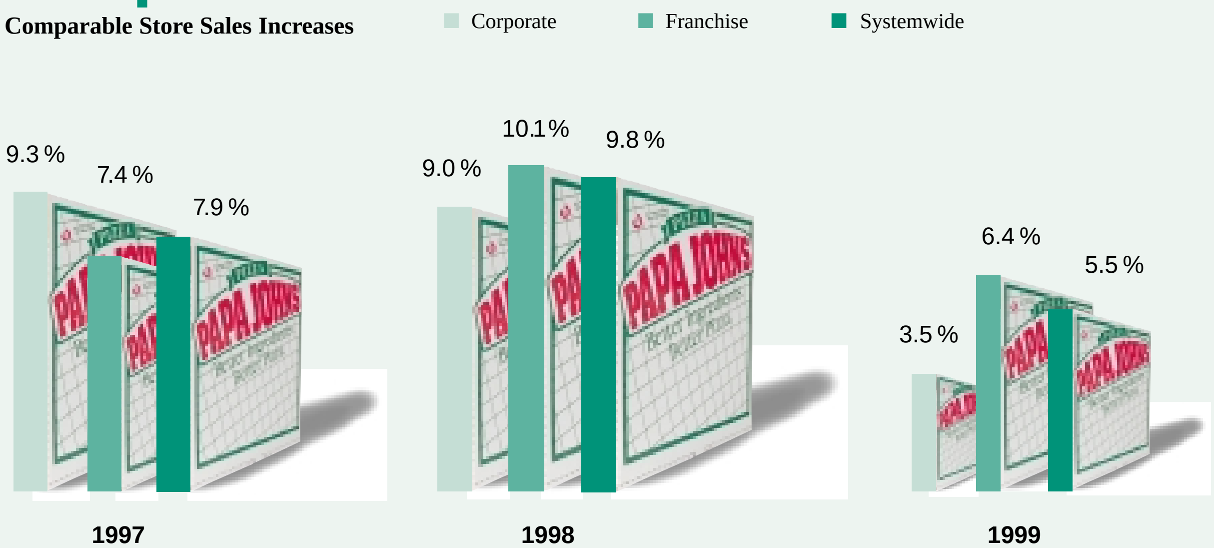
Average Annual Sales – Comparable Company-owned Restaurants

(in thousands)



Comps

Comparable Store Sales Increases



Management’s Discussion and Analysis of Financial Condition and Results of Operations

Introduction

Papa John’s International, Inc. (referred to as “the Company,” “Papa John’s” or in the first person notations of “we,” “us” and “our”) began operations in 1985 with the opening of the first Papa John’s restaurant in Jeffersonville, Indiana. At December 26, 1999, there were 2,280 Papa John’s restaurants in operation, consisting of 573 Company-owned and 1,707 franchised, and 206 Perfect Pizza restaurants in the United Kingdom (consisting of 12 Company-owned and 194 franchised). Our revenues are principally derived from retail sales of pizza to the general public by Company-owned restaurants, franchise royalties, sales of franchise and development rights, sales to franchisees of food and paper products, restaurant equipment, printing and promotional items, risk management services, and information systems and related services used in their operations.

We intend to continue to expand the number of Company-owned and franchised restaurants. Our expansion strategy is to cluster restaurants in targeted markets, thereby increasing consumer awareness and enabling us to take advantage of operational, distribution and advertising efficiencies. We believe that our expansion strategy has contributed to increases in comparable annual sales for Company-owned restaurants of 3.5% in 1999, 9.0% in 1998, and 9.3% in 1997. We anticipate that future comparable sales increases, if any, will be at a lesser rate than those achieved in the past. Average sales for the Company’s most recent comparable base restaurants increased to $754,000 for 1999 from $750,000 for 1998. This increase is attributable to continuing strong sales of maturing restaurants. Average sales volumes in new markets are generally lower than in those markets in which we have established a significant market position.

Approximately 45% of our revenues for 1999 and 44% for 1998 were derived from the sale to franchisees of food and paper products, restaurant equipment, printing and promotional items, risk management services and information systems equipment and software and related services by us, our commissary subsidiary, PJ Food Service, Inc., and our support services subsidiary, Papa John’s Support Services, Inc. We believe that, in addition to supporting both Company and franchised growth, these subsidiaries contribute to product quality and consistency throughout the Papa John’s system.

We continually strive to obtain high quality sites with good access and visibility, and to enhance the appearance and quality of our restaurants. We believe that these factors improve our image and brand awareness. The average cash investment for the 36 Company-owned restaurants opened during 1999, exclusive of land, decreased to approximately $224,000 from $252,000 for the 70 units opened in 1998. This decrease was primarily due to a change in the mix of store types built in 1999. In 1999, we built fewer free-standing restaurants which have a higher cost. We also opened more non-traditional units in 1999 which have a lower cost than traditional units. We expect the average cash investment for restaurants opening in 2000 to be approximately $244,000.

We defer certain costs incurred in connection with the development of our information systems and amortize such costs over periods of up to five years from the date of completion.

Our fiscal year ends on the last Sunday in December of each year. All fiscal years presented consist of 52 weeks. Our 2000 fiscal year will consist of 53 weeks.

Results of Operations

The following tables set forth the percentage relationship to total revenues, unless otherwise indicated, of certain income statement data, and certain restaurant data for the years indicated.

	Year Ended		
	Dec. 26, 1999	Dec. 27, 1998 (1)	Dec. 28, 1997 (1)
Income Statement Data:			
Revenues:			
Restaurant sales	49.1%	50.4%	50.9%
Franchise royalties	5.1	4.7	4.6
Franchise and development fees	0.8	0.8	1.0
Commissary sales	38.4	37.4	35.8
Equipment and other sales	6.6	6.7	7.7
Total revenues	100.0	100.0	100.0
Costs and expenses:			
Restaurant cost of sales (2)	25.4	26.9	26.5
Restaurant operating expenses (2)	54.7	53.5	55.1
Commissary, equipment and other expenses (3)	90.5	91.7	91.6
General and administrative expenses (4)	6.8	7.8	7.5
Advertising litigation expense (5)	0.8	-	-
Pre-opening and other general expenses (4)	0.4	0.5	0.3
Depreciation and amortization (4)	3.1	3.0	4.0
Total costs and expenses	91.0	92.2	93.2
Operating income	9.0	7.8	6.8
Investment income	0.4	0.6	0.8
Income before income taxes and cumulative effect of a change in accounting principle	9.4	8.4	7.6
Income tax expense	3.5	3.3	3.0
Income before cumulative effect of a change in accounting principle	5.9	5.1	4.6
Cumulative effect of accounting change, net of tax (4)	-	(0.4)	-
Net income	5.9%	4.7%	4.6%

	Year Ended		
	Dec. 26, 1999	**Dec. 27, 1998 (1)**	**Dec. 28, 1997 (1)**
Restaurant Data:			
Percentage increase in comparable Company-owned restaurant sales (6)	3.5%	9.0%	9.3%
Number of Company-owned restaurants included in the respective years' most recent comparable restaurant base	492	407	278
Average sales for Company-owned restaurants included in the respective years' most recent comparable restaurant base	$ 754,000	$ 750,000	$ 717,000
Papa John's Restaurant Progression:			
Number of Company-owned restaurants:			
Beginning of period	514	427	318
Opened	36	70	87
Closed	(1)	(1)	(1)
Acquired from franchisees	28	21	23
Sold to franchisees	(6)	(3)	-
Restated (7)	2	-	-
End of period	573	514	427
Number of U.S. franchised restaurants:			
Beginning of period	1,365	1,090	842
Opened	345	296	277
Closed	(8)	(3)	(6)
Sold to Company	(28)	(21)	(23)
Acquired from Company	6	3	-
Restated (7)	1	-	-
End of period	1,681	1,365	1,090
Number of international franchised restaurants:			
Beginning of period	6	-	-
Opened	20	6	-
End of period	26	6	-
Total restaurants — end of period	2,280	1,885	1,517

Perfect Pizza Restaurant Progression:	**Company-owned**	**Franchised**	**Total**
Number of restaurants at November 29, 1999 date of acquisition	15	190	205
Opened	-	1	1
Sold to franchisees	(3)	3	-
End of period	12	194	206

(1) Restated for the March 1999 acquisition of Minnesota Pizza (see "Note 3" of "Notes to Consolidated Financial Statements").
(2) As a percentage of Restaurant sales.
(3) As a percentage of Commissary sales and Equipment and other sales on a combined basis.
(4) The 1998 operating results reflect the adoption of an accounting standard related to the costs of start-up activities (see "Note 2" of "Notes to Consolidated Financial Statements") which impacts the amount of depreciation and amortization, general and administrative expenses, and pre-opening and other general expenses reflected above.
(5) Represents estimated 1999 costs related to complying with the Court's order in the Pizza Hut litigation (see "Note 14" of "Notes to Consolidated Financial Statements").
(6) Includes only Company-owned restaurants open throughout the periods being compared.
(7) Non-traditional units previously opened but not included in restaurant progression.

1999 Compared to 1998

On March 28, 1999, we acquired Minnesota Pizza Company, LLC (“Minnesota Pizza”), a franchisee which operated 37 Papa John’s restaurants in the Minneapolis/St. Paul market (see “Note 3” of “Notes to Consolidated Financial Statements”). The transaction was accounted for as a pooling of interests. Our operating results for the first quarter of 1999 and previously reported results of operations and balance sheets have been restated to include Minnesota Pizza.

On November 29, 1999, we acquired Perfect Pizza Holdings Limited (“Perfect Pizza”), a company located in the United Kingdom operating 205 restaurants (See “Note 3” of “Notes to Consolidated Financial Statements”). The Consolidated Statements of Income contain financial results for the month of December 1999 for Perfect Pizza, which reflect total revenues of $2.9 million and net income of $228,000. Due to the immateriality of these operating results, the discussion below does not include comments related to the impact of Perfect Pizza.

Revenues. Total revenues increased 18.1% to $805.3 million in 1999, from $682.2 million in 1998.

Restaurant sales increased 14.8% to $395.1 million in 1999, from $344.1 million in 1998. This increase was primarily due to a 12.6% increase in the number of equivalent Company-owned restaurants open during 1999 as compared to 1998. “Equivalent restaurants” represents the number of restaurants open at the beginning of a given period, adjusted for restaurants opened or acquired during the period on a weighted average basis. Also, comparable sales increased 3.5% in 1999 over 1998 for Company-owned restaurants open throughout both years, in large part due to reduced price discounting.

Franchise royalties increased 28.5% to $41.3 million in 1999, from $32.1 million in 1998. This increase was primarily due to a 25.6% increase in the number of equivalent franchised restaurants open during 1999 as compared to 1998. Also, comparable sales increased 6.4% in 1999 over 1998 for franchised restaurants open throughout both years.

Franchise and development fees increased 26.1% to $6.9 million in 1999, from $5.5 million in 1998. This increase was primarily due to the 365 franchised restaurants opened during 1999, as compared to 302 opened during 1998, an increase of 21%. The average dollar amount of fees per franchised restaurant may vary from period to period, depending on the mix of restaurants opened pursuant to older development agreements (including “Hometown restaurants” which generally had lower required fees than traditional restaurants opened pursuant to standard development agreements) and those opened pursuant to international development agreements (which may have higher or lower required fees). Hometown restaurants are located in smaller markets, generally with less than 9,000 households. Hometown restaurant development agreements entered into subsequent to March 1998, generally provide for fees equivalent to those under standard development agreements. The standard international development agreement requires total fees of $25,000 per restaurant, while subfranchised restaurants opened pursuant to a master franchise agreement require total fees of $15,000 per restaurant. This is compared to the standard domestic development and franchise fee of $20,000 per restaurant.

Commissary sales increased 21.1% to $309.0 million in 1999, from $255.1 million in 1998. This increase was primarily due to the increases in equivalent franchised restaurants and comparable sales for franchised restaurants noted above, partially offset by the impact of lower 1999 cheese costs which resulted in lower cheese pricing and sales relative to 1998 levels.

Equipment and other sales increased 16.9% to $53.1 million in 1999, from $45.4 million in 1998. This increase was primarily due to ongoing equipment, smallwares, uniforms and print materials related to the increase in equivalent franchised restaurants open during 1999 as compared to 1998, and the increase in the number of new restaurant equipment packages sold to franchisees that opened restaurants in 1999 as compared to 1998.

Costs and Expenses. Restaurant cost of sales, which consists of food, beverage and paper costs, decreased as a percentage of restaurant sales to 25.4% in 1999, from 26.9% in 1998. The primary reason for the decrease is attributable to reduced restaurant menu price discounting and a decrease in the average cheese block price. The cost of cheese, representing approximately 40% of food cost, and other commodities are subject to significant price fluctuations caused by weather, demand and other factors. Most of the factors affecting the cost of cheese are beyond our control (see “Note 9” of “Notes to Consolidated Financial Statements”).

Restaurant salaries and benefits increased as a percentage of restaurant sales to 27.0% in 1999, from 26.8% in 1998. This increase was primarily due to higher staffing levels after our 14th Anniversary promotion to support the demands of new customers and enhanced employee benefits to select restaurant personnel. Occupancy costs as a percentage of restaurant sales remained consistent at 5.0% for both 1999 and 1998.

Restaurant advertising and related costs increased as a percentage of restaurant sales to 9.1% in 1999, from 8.7% in 1998. The increase in 1999 was primarily the result of increased promotional activities in the second quarter in response to significant promotional activities by our competitors and increased activities in the fourth quarter in response to overall market conditions and sales trends.

Other restaurant operating expenses increased as a percentage of restaurant sales to 13.6% in 1999, from 13.0% in 1998. Other operating expenses include an allocation of commissary operating expenses equal to 3% of Company-owned restaurant sales in order to assess a portion of the costs of dough production and food and equipment purchasing and storage to Company-owned restaurants.

The increase in other operating expenses as a percentage of restaurant sales was primarily due to increased costs associated with our 14th Anniversary promotion and increased repair and maintenance costs. Repair and maintenance costs are expected to increase as existing units mature.

Commissary, equipment and other expenses include cost of sales, salaries and benefits, and other operating expenses associated with sales of food, paper, equipment, information systems and printing and promotional items to franchisees and other customers. These costs decreased as a percentage of combined commissary sales and equipment and other sales to 90.5% in 1999 from 91.7% in 1998. Cost of sales as a percentage of combined commissary sales and equipment and other sales decreased to 76.2% in 1999 from 78.5% in 1998, principally due to the timing of certain favorable commodity price changes (primarily cheese) and the change in classification of certain expenses to salaries and benefits previously reported as cost of sales. Salaries and benefits increased to 6.6% in 1999 from 5.7% in 1998 due to the change in classification of certain expenses previously reported in cost of sales and general and administrative expenses. Other operating expenses increased to 7.7% in 1999 compared to 7.5% in 1998 due primarily to higher delivery costs related to the transition to a new distribution vendor and higher costs related to the 14th Anniversary promotion partially offset by a reduction in rent expense due to the opening of the Dallas, Texas and Louisville, Kentucky commissaries. Additionally, delivery costs as a percentage of sales will fluctuate with cheese prices. Although the change in cheese price has an effect on sales, the costs to deliver remain relatively consistent regardless of cheese prices.

General and administrative expenses decreased as a percentage of total revenues to 6.8% in 1999 from 7.8% in 1998. This decrease was due to the following: (1) leveraging expenses on a higher sales base; (2) the resolution of certain economic incentives related to the construction of the new corporate headquarters facility; (3) reduction in payroll processing fees due to bringing payroll processing in-house; and (4) the change in classification of certain expenses to commissary, equipment and other salaries and benefits previously reported as general and administrative expenses. The change in classification represented approximately 0.2% of the total improvement.

Advertising litigation expense represents costs associated with the lawsuit filed against us by Pizza Hut, Inc. claiming that our “Better Ingredients. Better Pizza.” slogan is false and deceptive advertising. The $6.1 million in advertising litigation expense consists primarily of legal costs and costs to discontinue the “Better Ingredients. Better Pizza.” slogan. See “Note 14” of “Notes to Consolidated Financial Statements” for additional information.

Pre-opening and other general expenses remained fairly consistent at $3.6 million in 1999, compared to $3.5 million in 1998. Depreciation and amortization expense as a percentage of total revenues remained consistent at 3.1% in 1999, compared to 3.0% in 1998.

Investment Income. Investment income decreased to $3.4 million in 1999 from $4.1 million in 1998 due to a lower average balance of franchise loans and a decrease in our average investment portfolio balance.

Income Tax Expense. Income tax expense (exclusive of the cumulative effect of accounting change and related taxes) reflects a combined federal, state and local effective tax rate of 37.6% for 1999, compared to 38.8% in 1998. The effective income tax rate for 1998, including an income tax benefit for the treatment of Minnesota Pizza as a C Corporation (see "Note 3" of "Notes to Consolidated Financial Statements"), was 37.0%. The effective tax rate in 1999 increased as compared to the 1998 pro forma rate as a result of a continued relative level of tax-exempt investment income to total pre-tax income.

1998 Compared to 1997

As noted above, our previously reported results of operations and balance sheets have been restated to include Minnesota Pizza, and the following discussion reflects this restatement.

Revenues. Total revenues increased 32.3% to $682.2 million in 1998, from $515.7 million in 1997.

Restaurant sales increased 31.2% to $344.1 million in 1998, from $262.3 million in 1997. This increase was primarily due to a 24.0% increase in the number of equivalent Company-owned restaurants open during 1998 as compared to 1997. "Equivalent restaurants" represents the number of restaurants open at the beginning of a given period, adjusted for restaurants opened or acquired during the period on a weighted average basis. Also, comparable sales increased 9.0% in 1998 over 1997 for Company-owned restaurants open throughout both years.

Franchise royalties increased 34.6% to $32.1 million in 1998, from $23.9 million in 1997. This increase was primarily due to a 26.9% increase in the number of equivalent franchised restaurants open during 1998 as compared to 1997. Also, comparable sales increased 10.1% in 1998 over 1997 for franchised restaurants open throughout both years.

Franchise and development fees increased 5.6% to $5.5 million in 1998, from $5.2 million in 1997. This increase was primarily due to the 302 franchised restaurants opened during 1998, as compared to 277 opened during 1997, an increase of 9.0%. The average dollar amount of fees per franchised restaurant may vary from period to period, depending on the mix of restaurants opened pursuant to older development agreements including "Hometown restaurants."

Commissary sales increased 38.3% to $255.1 million in 1998, from $184.4 million in 1997. This increase was primarily due to the increases in equivalent franchised restaurants and comparable sales for franchised restaurants noted above. There was an additional impact of higher cheese prices in 1998 compared to 1997 in response to increased cheese costs during 1998.

Equipment and other sales increased 13.6% to $45.4 million in 1998, from $40.0 million in 1997. This increase was primarily due to ongoing equipment and smallwares orders related to the increase in equivalent franchised restaurants open during 1998 as compared to 1997, and the increase in the number of new restaurant equipment packages sold to franchisees that opened restaurants in 1998 as compared to 1997. A portion of the equipment and other sales increase was also attributable to an increase in sales of the Papa John’s PROFIT system, a proprietary point of sale system.

Costs and Expenses. Restaurant cost of sales, which consists of food, beverage and paper costs, increased as a percentage of restaurant sales to 26.9% in 1998, from 26.5% in 1997. The primary reason for the increase is attributable to increases in the average cheese block market prices, partially offset by a decrease in the average cost of certain other commodities.

Restaurant salaries and benefits decreased as a percentage of restaurant sales to 26.8% in 1998, from 27.1% in 1997. The decrease is primarily due to increased efficiencies in relation to higher sales volumes, partially offset by the 1998 full year impact of increases in the federal minimum wage in September 1997. Occupancy costs decreased as a percentage of restaurant sales to 5.0% in 1998 from 5.2% in 1997 as a result of leveraging against a higher sales base.

Restaurant advertising and related costs decreased as a percentage of restaurant sales to 8.7% in 1998, from 9.4% in 1997. The decrease in 1998 was primarily the result of efficiencies related to increased market penetration and higher sales volume. Our advertising often varies based on the timing of national or market-level promotions.

Other restaurant operating expenses decreased as a percentage of restaurant sales to 13.0% for 1998 from 13.4% for 1997. The decrease in other operating expenses as a percentage of restaurant sales was primarily due to a reduction in worker’s compensation costs.

Commissary, equipment and other expenses include cost of sales, salaries and benefits, and other operating expenses associated with sales of food, paper, equipment, information systems and printing and promotional items to franchisees and other customers. These costs were relatively consistent as a percentage of combined commissary sales and equipment and other sales at 91.7% in 1998 and 91.6% in 1997. Cost of sales as a percentage of combined commissary sales and equipment and other sales increased to 78.5% in 1998 from 77.7% in 1997, due to the timing of certain unfavorable commodity price changes (primarily cheese). The increase was offset by a decrease in salaries and benefits and other operating expenses to 13.2% in 1998 compared to 13.9% in 1997, due primarily to efficiencies related to an increased number of restaurants serviced by the overall commissary system without significant expansion in 1998.

General and administrative expenses increased slightly as a percentage of total revenues to 7.8% in 1998 from 7.5% in 1997. This increase is primarily due to the adoption of the AICPA Statement of Position 98-5 (“SOP”) which required the expensing of certain start-up costs effective in 1998 (see “Note 2” of “Notes to Consolidated Financial Statements”). Certain of these costs had previously been deferred and, accordingly, were not previously included in general and administrative costs. Even though the adoption resulted in significant changes to the amounts reported on individual line items (general and administrative expenses, pre-opening and other general expenses, and depreciation and amortization), the effect of the adoption of the SOP did not have a material impact on 1998 consolidated net income, excluding the one time cumulative effect adjustment of $2.6 million, net of taxes of $1.5 million. This increase was partially offset by the recognition of $2.0 million in incentives under the Kentucky Jobs Development Act (the “KJDA incentives”) related to the development of a new corporate headquarters facility and associated employment increases.

Pre-opening and other general expenses increased to $3.5 million in 1998, compared to $1.5 million in 1997. Pre-opening and other general expenses consisted primarily of relocation costs in 1997 and of both relocation costs and pre-opening expenses in 1998 as a result of the adoption of the SOP (see “Note 2” of “Notes to Consolidated Financial Statements”).

Depreciation and amortization decreased as a percentage of total revenues to 3.0% in 1998, from 4.0% in 1997. This decrease was due to the elimination of pre-opening deferrals and related amortization in 1998 as a result of the adoption of the SOP (see “Note 2” of “Notes to Consolidated Financial Statements”).

Investment Income. Investment income remained relatively consistent at $4.1 million in 1998 and $4.2 million in 1997 as average invested and loaned balances and yields were also fairly consistent between years.

Income Tax Expense. Income tax expense (exclusive of the cumulative effect of accounting change and related taxes) reflects a combined federal, state and local effective income tax rate of 38.8% in 1998, compared to 40.1% in 1997. The effective income tax rates for 1998 and 1997, including an income tax benefit for the treatment of Minnesota Pizza as a C Corporation (see “Note 3” of “Notes to Consolidated Financial Statements”), was 37.0% in both years.

Liquidity and Capital Resources

We require capital primarily for the development and acquisition of restaurants, the addition of new commissary and support services facilities and equipment, the enhancement of corporate systems and facilities and the funding of franchisee loans. Additionally, we began a share repurchase program in 1999. Capital expenditures of $81.2 million, acquisitions of $32.7 million, loans to franchisees of $6.6 million and share repurchases of $31.7 million for 1999, were primarily funded by cash flow from operations, cash generated from the exercise of stock options and the liquidation of available cash and investments.

Total 2000 capital expenditures are expected to be approximately $50.0 million, primarily for the development or relocation of restaurants, construction of commissary facilities, and the completion of the Louisville corporate offices. During 2000, we plan to open approximately 35 new Company-owned restaurants and relocate an additional 15 to 20 restaurants.

In addition to restaurant development and potential acquisitions, significant capital projects for the next 12 months are expected to include the completion of the 247,000 square foot commissary and corporate office facility in Louisville, Kentucky. In mid-1999, the Louisville commissary operations and the majority of the team members in the corporate offices were relocated to the new facility which is expected to be completed in early-2000. A full-service commissary was opened in Pittsburgh, Pennsylvania in January 2000, and we expect to complete the expansion and relocation of the Phoenix, Arizona distribution center to a full-service commissary in mid-2000.

Subsequent to year-end, we acquired an additional $87.4 million of common stock under our share repurchase program. These purchases have primarily been funded with short-term bank financing. The Board of Directors has authorized up to $150.0 million for the share repurchase program through 2000 year-end, and $30.9 million remains available under this authorization. Also subsequent to year-end, we acquired PJNJ Foods, Inc., a franchisee of 19 Papa John's restaurants in New Jersey, for $7.9 million ($6.6 million in cash and $1.3 million of assumed net liabilities).

Through December 1999, we earned approximately $4.9 million of an expected $13.0 million in incentives under the Kentucky Jobs Development Act in connection with the relocation of the corporate offices. We expect to earn the remaining $8.1 million of such incentives through 2007.

Additionally, during 2000 we expect to fund up to $2.5 million in additional loans under existing franchisee loan program commitments. Approximately $11.7 million was outstanding under this program as of December 26, 1999. At this time, we do not expect to significantly expand the program beyond existing commitments.

Substantially all capital resources available at December 26, 1999 were expended in connection with the $87.4 million share repurchase subsequent to year-end. Total bank financing of approximately $83.0 million has been utilized to complete these subsequent repurchases. We expect to fund repayment of short-term bank financing, planned capital expenditures, acquisitions of franchised restaurants, disbursements under the franchise loan program and additional share repurchases for the next twelve months from operating cash flows and the $67.0 million remaining borrowing capacity under a $150.0 million, three-year, unsecured revolving line of credit agreement entered into in March 2000.

Impact of Year 2000

In prior years, we discussed the nature and progress of our plans to become Year 2000 ready. In late 1999, we completed testing of our systems and made modifications as deemed necessary. As a result of our planning and implementation efforts, we experienced no significant disruptions in business critical information technology and non-information technology systems and believe these systems successfully responded to the Year 2000 date change. The costs incurred during 1999 in connection with necessary modifications of our systems were not material to our financial position. We are not aware of any material problems resulting from Year 2000 issues regarding our internal systems, the products and services of third parties, or the businesses operated by our franchisees. We will continue to monitor our business critical computer applications and those of our suppliers and franchisees throughout the year 2000 to ensure that any Year 2000 matters that may arise are addressed promptly.

Impact of Inflation

We do not believe inflation has materially affected earnings during the past three years. Substantial increases in costs, particularly labor, benefits, food, and fuel costs, could have a significant impact on us.

Forward Looking Statements

Certain information contained in this annual report, particularly information regarding future financial performance and plans and objectives of management, is forward looking. Certain factors could cause actual results to differ materially from those expressed in forward looking statements. These factors include, but are not limited to, our ability and the ability of our franchisees to obtain suitable locations and financing for new restaurant development; the hiring, training, and retention of management and other personnel; competition in the industry with respect to price, service, location, and food quality; an increase in food cost due to seasonal fluctuations, weather, and demand; changes in consumer tastes and demographic trends; changes in federal and state laws, such as increases in minimum wage; and risks inherent to international development, including operational or market risks associated with the planned conversion of Perfect Pizza restaurants to Papa John’s in the United Kingdom.

Quantitative and Qualitative Disclosures about Market Risk

We had no significant holdings of derivative financial or commodity instruments at December 26, 1999.

Our principal exposure to financial market risks in the past has been the impact that interest rate changes could have on the income from our investment portfolio. Going forward, our principal exposure is the impact that interest rate changes could have on the interest expense incurred on borrowings under our revolving credit agreement (see “Note 8” of “Notes to Consolidated Financial Statements”). All such borrowings (none at December 26, 1999) bear interest at a variable rate based on the prime rate, the London Interbank Offered Rate (LIBOR), or certain alternative short-term rates. A change in interest rates of 100 basis points would not significantly affect our net income. Furthermore, in connection with our $150.0 million three-year revolving credit agreement, we entered into a $100.0 million three-year interest rate collar effective March 2000. The collar establishes a 6.36% floor and 9.50% ceiling on the LIBOR base rate on a no-fee basis. Substantially all of our business is transacted in U.S. dollars. Accordingly, foreign exchange rate fluctuations have not had a significant impact on us, and are not expected to during 2000

Cheese, representing approximately 40% of our food cost, is subject to seasonal fluctuations, weather, demand and other factors that are beyond our control. Effective December 27, 1999, the commissary entered into a purchasing arrangement with a third-party entity formed at the direction of the Franchise Advisory Council for the sole purpose of reducing cheese price volatility. Under this arrangement, the commissary will purchase cheese at a fixed quarterly price based, in part, on historical average cheese prices. Gains and losses incurred by the selling entity will be passed to the commissary via adjustments to the selling price over time. Ultimately the commissary will purchase cheese at a price approximating the actual average market price, but with more predictability and less volatility than the previous purchasing method.

Selected Consolidated Financial Data

The selected financial data presented below for each of the years in the five-year period ended December 26, 1999 was derived from our audited consolidated financial statements, restated for the acquisition of Minnesota Pizza (see “Note 3” of “Notes to Consolidated Financial Statements”). The selected financial data should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes thereto included elsewhere in this annual report.

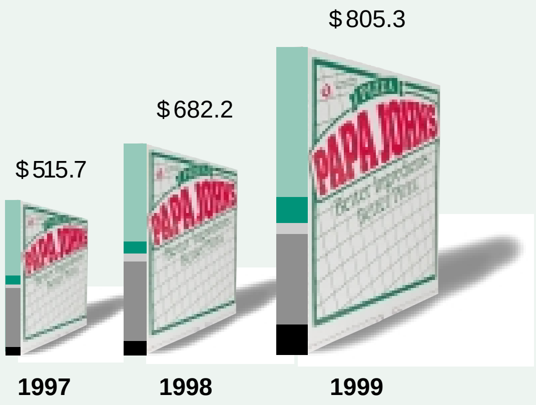
(In thousands, except per share data)	**Year Ended (1)**				
	Dec. 26, 1999	**Dec. 27, 1998**	**Dec. 28, 1997**	**Dec. 29, 1996**	**Dec. 31, 1995**
Systemwide Restaurant Sales					
Company-owned	$ 394,636	$ 344,089	$ 262,272	$ 171,457	$ 111,755
Franchised	1,038,080	812,182	605,337	447,739	346,995
Perfect Pizza: Company-owned	455	-	-	-	-
Perfect Pizza: franchised	5,175	-	-	-	-
Total	$ 1,438,346	$ 1,156,271	$ 867,609	$ 619,196	$ 458,750
Income Statement Data					
Revenues:					
Restaurant sales	$ 395,091	$ 344,089	$ 262,272	$ 171,457	$ 111,755
Franchise royalties	41,270	32,126	23,875	17,688	13,561
Franchise and development fees	6,871	5,450	5,162	4,061	3,385
Commissary sales	309,015	255,083	184,407	141,654	105,874
Equipment and other sales	53,078	45,404	39,952	26,959	18,665
Total revenues	805,325	682,152	515,668	361,819	253,240
Operating income	72,333	53,045	35,141	22,573	15,610
Investment income	3,384	4,100	4,196	3,484	1,659
Income before income taxes and cumulative effect of a change in accounting principle	75,717	57,145	39,337	26,057	17,269
Income tax expense	28,431	22,181	15,772	10,932	6,525
Income before cumulative effect of a change in accounting principle	47,286	34,964	23,565	15,125	10,744
Cumulative effect of accounting change, net of tax (2)	-	(2,603)	-	-	-
Net income	$ 47,286	$ 32,361	$ 23,565	$ 15,125	$ 10,744
Basic earnings per share:					
Income before cumulative effect of a change in accounting principle	$ 1.57	$ 1.18	$ .81	$ .54	$ .43
Cumulative effect of accounting change, net of tax (2)	-	(.09)	-	-	-
Basic earnings per share	$ 1.57	$ 1.09	$ .81	$ .54	$ .43
Diluted earnings per share:					
Income before cumulative effect of a change in accounting principle	$ 1.52	$ 1.15	$ .79	$ .53	$ .42
Cumulative effect of accounting change, net of tax (2)	-	(.09)	-	-	-
Diluted earnings per share	$ 1.52	$ 1.06	$ .79	$ .53	$ .42
Basic weighted average shares outstanding	30,195	29,537	29,044	28,138	25,267
Diluted weighted average shares outstanding	31,080	30,455	29,720	28,798	25,680
Balance Sheet Data					
Total assets	$ 372,051	$ 319,724	$ 253,413	$ 214,392	$ 129,484
Debt	6,233	8,420	5,905	5,230	2,510
Stockholders' equity	292,133	254,170	206,996	178,194	106,822

(1) We operate on a 52-53 week fiscal year ending on the last Sunday of December of each year. The 1999, 1998, 1997 and 1996 fiscal years consisted of 52 weeks and the 1995 fiscal year consisted of 53 weeks.

(2) Reflects the cumulative effect on income and earnings per share of a change in accounting principle, net of tax, as required by Statement of Position 98-5 "Reporting the Costs of Start-Up Activities" (see "Note 2" of "Notes to Consolidated Financial Statements").

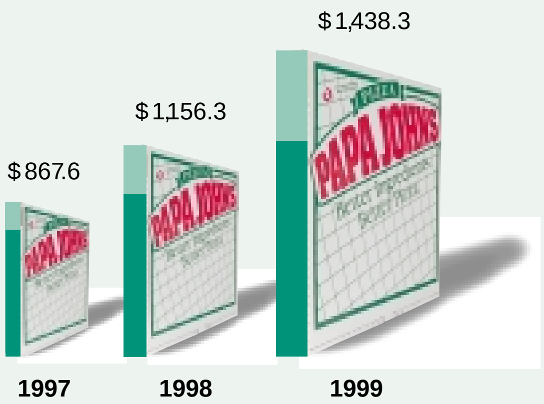
Revenues

Total Revenues	1997	1998	1999
Restaurant sales	$ 262.3	$ 344.1	$ 395.1
Franchise royalties	23.9	32.1	41.3
Franchise and development fees	5.1	5.5	6.9
Commissary sales	184.4	255.1	309.0
Equipment and other sales	40.0	45.4	53.0
Total	$ 515.7	$ 682.2	$ 805.3
	Millions		



Sales

Systemwide Restaurant Sales	1997	1998	1999
Company-owned restaurants	$ 262.3	$ 344.1	$ 395.1
Franchised restaurants	$ 605.3	$ 812.2	$ 1,043.2
Total	$ 867.6	$ 1,156.3	$ 1,438.3
	Millions		



Papa John's International, Inc. and Subsidiaries
Consolidated Statements of Income

(In thousands, except per share amounts)	Year Ended		
	December 26, 1999	**December 27, 1998**	**December 28 1997**
		(Restated – see Note)	*(Restated – see Note)*
Revenues:			
Restaurant sales	$ 395,091	$ 344,089	$ 262,272
Franchise royalties	41,270	32,126	23,875
Franchise and development fees	6,871	5,450	5,162
Commissary sales	309,015	255,083	184,407
Equipment and other sales	53,078	45,404	39,952
Total revenues	805,325	682,152	515,668
Costs and expenses:			
Restaurant expenses:			
Cost of sales	100,412	92,612	69,554
Salaries and benefits	106,851	92,372	71,124
Advertising and related costs	36,014	29,846	24,542
Occupancy costs	19,560	17,138	13,687
Other operating expenses	53,591	44,685	35,247
	316,428	276,653	214,154
Commissary, equipment and other expenses:			
Cost of sales	276,079	235,934	174,336
Salaries and benefits	23,794	16,981	13,091
Other operating expenses	27,809	22,560	18,181
	327,682	275,475	205,608
General and administrative expenses	54,386	53,008	38,841
Advertising litigation expense	6,104	-	-
Pre-opening and other general expenses	3,565	3,481	1,486
Depreciation and amortization	24,827	20,490	20,438
Total costs and expenses	732,992	629,107	480,527
Operating income	72,333	53,045	35,141
Investment income	3,384	4,100	4,196
Income before income taxes and cumulative effect of a change in accounting principle	75,717	57,145	39,337
Income tax expense	28,431	22,181	15,772
Income before cumulative effect of a change in accounting principle	47,286	34,964	23,565
Cumulative effect of accounting change, net of tax	-	(2,603)	-
Net income	$ 47,286	$ 32,361	$ 23,565

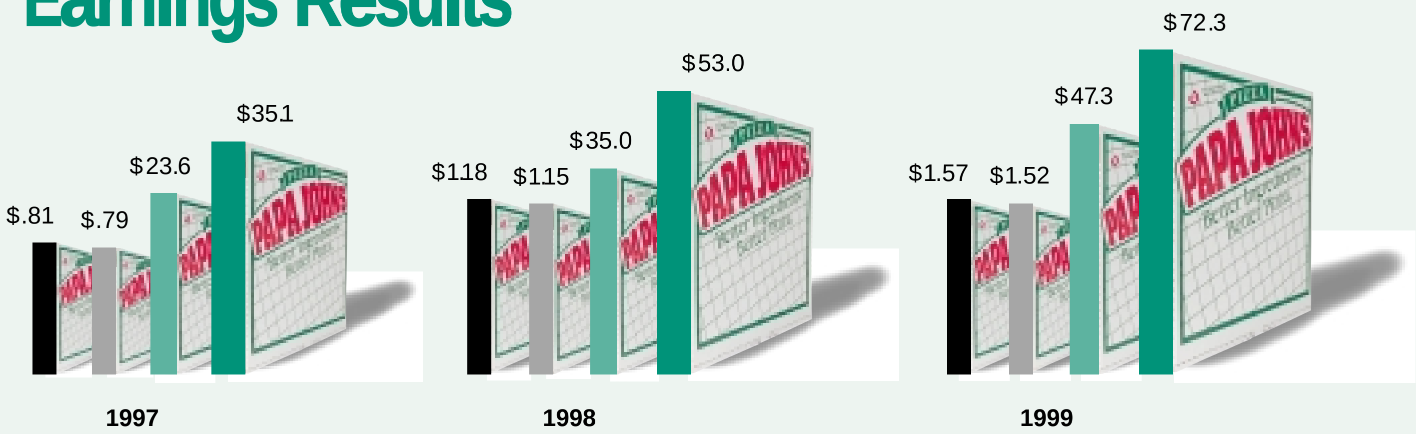
Consolidated Statements of Income (continued)

Basic earnings per share:			
Income before cumulative effect of a change in accounting principle	$ 1.57	$ 1.18	$ .81
Cumulative effect of accounting change, net of tax	-	(.09)	-
Basic earnings per share	$ 1.57	$ 1.09	$ .81
Diluted earnings per share:			
Income before cumulative effect of a change in accounting principle	$ 1.52	$ 1.15	$ .79
Cumulative effect of accounting change, net of tax	-	(.09)	-
Diluted earnings per share	$ 1.52	$ 1.06	$ .79
Basic weighted-average shares outstanding	30,195	29,537	29,044
Diluted weighted-average shares outstanding	31,080	30,455	29,720
Supplemental data:			
Revenues - affiliates	$ 102,863	$ 85,137	$ 62,986
Other income - affiliates	314	570	514

Note: The Consolidated Statements of Income for the years ended December 27, 1998 and December 28, 1997 have been restated to reflect the acquistion of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see “Note 3” of “Notes to Consolidated Financial Statements”).

See accompanying notes.

Earnings Results



- Basic Income per share before cumulative effect of a change in accounting principle
- Diluted Income per share before cumulative effect of a change in accounting principle
- Income before cumulative effect of a change in accounting principle *(millions)*
- Operating income *(millions)*

Papa John's International, Inc. and Subsidiaries
Consolidated Balance Sheets

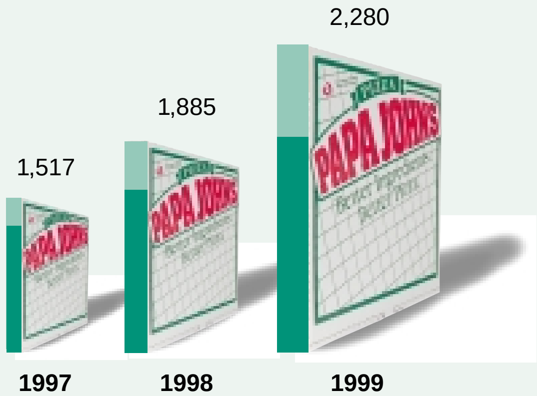
(Dollars in thousands, except per share amounts)	**December 26, 1999**	**December 27, 1998**
		(Restated – see Note)
Assets		
Current assets:		
Cash and cash equivalents	$ 3,698	$ 33,814
Accounts receivable	18,113	15,147
Accounts receivable-affiliates	3,302	2,273
Inventories	10,637	9,808
Prepaid expenses and other current assets	7,378	4,891
Deferred income taxes	2,977	2,090
Total current assets	46,105	68,023
Investments	22,086	47,355
Net property and equipment	227,813	172,872
Notes receivable-franchisees	8,153	4,249
Notes receivable-affiliates	3,590	4,741
Intangibles	47,669	9,397
Other assets	16,635	13,087
Total assets	$ 372,051	$ 319,724
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 24,947	$ 18,389
Accrued expenses	38,516	26,916
Current portion of debt	5,308	190
Total current liabilities	68,771	45,495
Unearned franchise and development fees	6,222	6,561
Long-term debt, net of current portion	925	8,230
Deferred income taxes	2,109	5,066
Other long-term liabilities	1,891	202
Stockholders' equity:		
Preferred stock ($.01 par value per share; authorized 5,000,000 shares, no shares issued)	-	-
Common stock ($.01 par value per share; authorized 50,000,000 shares, issued 30,504,185 in 1999 and 29,866,832 in 1998)	305	298
Additional paid-in capital	189,920	166,209
Accumulated other comprehensive income (loss)	(390)	688
Retained earnings	134,492	87,456
Treasury stock (1,298,495 shares in 1999 and 36,572 shares in 1998, at cost)	(32,194)	(481)
Total stockholders' equity	292,133	254,170
Total liabilities and stockholders' equity	$ 372,051	$ 319,724

Note: The Consolidated Balance Sheet at December 27, 1998 has been restated to reflect the acquistion of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see "Note 3" of "Notes to Consolidated Financial Statements").

See accompanying notes.

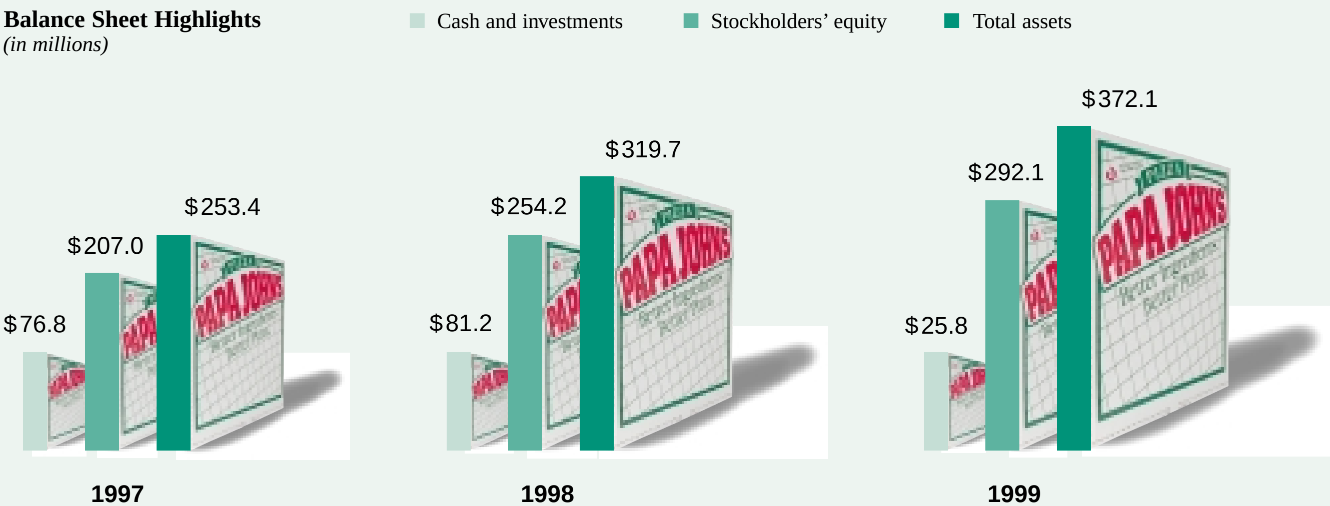
Papa John's Restaurant Counts

	1997	1998	1999
Company-owned restaurants	427	514	573
Franchised restaurants	1,090	1,371	1,707
Total	1,517	1,885	2,280
	Number at End of Year		



Highlights

Balance Sheet Highlights
(in millions)



Papa John's International, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance at December 29, 1996 as previously reported	$ 288	$ 143,978	$ 977	$ 35,882	$ (482)	$ 180,643
Restatement for acquisition *(see Note)*	1	1,499	-	(3,949)	-	(2,449)
Balance at December 29, 1996 as restated	289	145,477	977	31,933	(482)	178,194
Comprehensive income:						
Net income	-	-	-	23,565	-	23,565
Unrealized loss on investments, net of tax of $424	-	-	(656)	-	-	(656)
Comprehensive income						22,909
Exercise of stock options	3	3,533	-	-	1	3,537
Tax benefit related to exercise of non-qualified stock options	-	2,339	-	-	-	2,339
Other	-	-	-	17	-	17
Balance at December 28, 1997	292	151,349	321	55,515	(481)	206,996
Comprehensive income:						
Net income	-	-	-	32,361	-	32,361
Unrealized gain on investments, net of tax of $354	-	-	367	-	-	367
Comprehensive income						32,728
Exercise of stock options	5	11,668	-	-	-	11,673
Tax benefit related to exercise of non-qualified stock options	-	2,953	-	-	-	2,953
Other	1	239	-	(420)	-	(180)
Balance at December 27, 1998	298	166,209	688	87,456	(481)	254,170
Comprehensive income:						
Net income	-	-	-	47,286	-	47,286
Unrealized gain on investments, net of tax of $357	-	-	(553)	-	-	(553)
Other	-	-	(525)	-	-	(525)
Comprehensive income						46,208
Exercise of stock options	7	14,452	-	-	-	14,459
Tax benefit related to exercise of non-qualified stock options	-	3,945	-	-	-	3,945
Deferred tax asset - pooling of interests business combination	-	5,245	-	-	-	5,245
Stock repurchase	-	-	-	-	(31,713)	(31,713)
Other	-	69	-	(250)	-	(181)
Balance at December 26, 1999	$ 305	$ 189,920	$ (390)	$ 134,492	$ (32,194)	$ 292,133

Note: The Consolidated Statements of Stockholders' Equity for the years ended December 27, 1998 and December 28, 1997 have been restated to reflect the acquistion of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see "Note 3" of "Notes to Consolidated Financial Statements").

See accompanying notes.

Papa John's International, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(In thousands)	Year Ended		
	December 26, 1999	**December 27, 1998**	**December 28, 1997**
		(Restated – see Note)	*(Restated – see Note)*
Operating activities			
Net income	$ 47,286	$ 32,361	$ 23,565
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	25,156	21,009	21,141
Deferred income taxes	1,757	(1,443)	528
Other	2,580	903	(601)
Changes in operating assets and liabilities:			
Accounts receivable	(1,802)	(2,125)	(2,184)
Inventories	(275)	(551)	(2,292)
Deferred pre-opening costs	-	3,827	(5,823)
Prepaid expenses and other current assets	(2,343)	(2,382)	(883)
Other assets and liabilities	(1,574)	(1,324)	(911)
Accounts payable	4,784	2,265	2,243
Accrued expenses	10,406	7,632	5,962
Unearned franchise and development fees	(339)	1,873	1,195
Net cash provided by operating activities	85,636	62,045	41,940
Investing activities			
Purchase of property and equipment	(81,161)	(70,861)	(44,547)
Purchase of investments	(22,908)	(34,107)	(41,445)
Proceeds from sale or maturity of investments	46,632	44,289	46,696
Loans to franchisees	(6,614)	(4,834)	(8,848)
Loan repayments from franchisees	2,955	5,265	2,321
Deferred systems development costs	(1,399)	(1,208)	(1,989)
Acquisitions	(32,703)	(1,902)	(6,168)
Other	(19)	403	316
Net cash used in investing activities	(95,217)	(62,955)	(53,664)
Financing activities			
Payments on long-term debt	(9,815)	(6,450)	(3,995)
Proceeds from issuance of long-term debt	2,510	7,720	4,670
Proceeds from exercise of stock options	14,459	11,673	3,537
Tax benefit related to exercise of non-qualified stock options	3,945	2,953	2,339
Acquisition of treasury stock	(31,713)	-	-
Other	79	(7)	(27)
Net cash provided by (used in) financing activities	(20,535)	15,889	6,524
Net increase (decrease) in cash and cash equivalents	(30,116)	14,979	(5,200)
Cash and cash equivalents at beginning of year	33,814	18,835	24,035
Cash and cash equivalents at end of year	$ 3,698	$ 33,814	$ 18,835

Note: The Consolidated Statements of Cash Flows for the years ended December 27, 1998 and December 28, 1997 have been restated to reflect the acquistion of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see "Note 3" of "Notes to Consolidated Financial Statements").

See accompanying notes.

Papa John's International, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Description of Business

Papa John's International, Inc. (referred to as the "Company," "Papa John's" or in the first person notations of "we," "us" and "our") operates and franchises pizza delivery and carry-out restaurants under the trademark "Papa John's," currently in 47 states, the District of Columbia, and five international markets. We also operate and franchise pizza delivery and carry-out restaurants under the trademark "Perfect Pizza" in the United Kingdom. Substantially all revenues are derived from retail sales of pizza to the general public by Company-owned restaurants, franchise royalties, sales of franchise and development rights, and sales to franchisees of food and paper products, restaurant equipment, printing and promotional items, risk management services, and information systems and related services used in their operations.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Papa John's and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Fiscal Year

Our fiscal year ends on the last Sunday in December of each year. All fiscal years presented consist of 52 weeks.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Revenue Recognition

Franchise fees are recognized when a franchised restaurant begins operations, at which time we have performed our obligations related to such fees. Fees received pursuant to development agreements which grant the right to develop franchised restaurants in future periods in specific geographic areas are deferred and recognized on a pro rata basis as the franchised restaurants subject to the development agreements begin operations. Both franchise and development fees are nonrefundable. Franchise royalties, which are based on a percentage of franchised restaurants' sales, are recognized as earned.

Cash Equivalents

Cash equivalents consist of all highly liquid investments with a maturity of three months or less at date of purchase. These investments are carried at cost which approximates fair value.

Accounts Receivable

Substantially all accounts receivable are due from franchisees for purchases of food and paper products, restaurant equipment, printing and promotional items, risk management services, information systems and related services, and for royalties from December sales. Credit is extended based on an evaluation of the franchisee's financial condition and, generally, collateral is not required. We consider substantially all amounts to be collectible.

Inventories

Inventories, which consist of food products, paper goods and supplies, smallwares, store equipment and printing and promotional items, are stated at the lower of cost, determined under the first-in, first-out (FIFO) method, or market.

Investments

We determine the appropriate classification of investment securities at the time of purchase and reevaluate such designation as of each balance sheet date. All investment securities held at December 26, 1999, have been classified as available-for-sale. Available-for-sale securities are stated at fair value as determined primarily through quoted market prices. Unrealized gains and losses, net of tax, are reported as a separate component of stockholders' equity and are included in comprehensive income. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion, along with interest and dividends earned and realized gains and losses, are included in investment income. The cost of securities sold is based on the specific identification method.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (generally five to ten years for restaurant, commissary and other equipment, and 20 to 40 years for buildings and improvements). Leasehold improvements are amortized over the terms of the respective leases, including the first renewal period (generally five to ten years).

Depreciation expense was $22.3 million in 1999, $18.4 million in 1998 and $13.9 million in 1997.

Intangible Assets

Intangible assets principally represents costs in excess of net assets of companies acquired (i.e., goodwill). Goodwill is amortized on a straight-line basis ranging from 15 to 25 years. Accumulated amortization was $3.6 million at December 26, 1999 and $2.6 million at December 27, 1998.

Impairment of Long-lived Assets

Long-lived and intangible assets are periodically reviewed for recoverability when impairment indicators are present. Recorded values that are not expected to be recovered through undiscounted future cash flows are written down to current fair value which is generally determined from estimated discounted future net cash flows (assets held for use) or net realizable value (assets held for sale).

Systems Development Costs

We defer certain systems development and related costs which meet established criteria. Amounts deferred are amortized over periods not exceeding five years beginning in the month subsequent to completion of the related systems project. Total costs deferred were approximately $1.4 million in 1999, $1.2 million in 1998, and $2.0 million in 1997. Unamortized deferred systems development costs were $4.3 million at December 26, 1999 and December 27, 1998, and are reported in other assets in the accompanying consolidated balance sheets.

Advertising and Related Costs

Advertising and related costs include the costs of Company-owned restaurant activities such as mail coupons, door hangers and promotional items and contributions to the Papa John's Marketing Fund, Inc. (the "Marketing Fund") and local market cooperative advertising funds. Contributions by Company-owned and franchised restaurants to the Marketing Fund and the cooperative advertising funds are based on an established percentage of monthly restaurant revenues. The Marketing Fund is responsible for developing and conducting marketing and advertising for the Papa John's system. The local market cooperative advertising funds are responsible for developing and conducting advertising activities in a specific market, including the placement of electronic and print materials developed by the Marketing Fund. Such funds are accounted for separately and are not included in our consolidated financial statements, except as described below beginning with the first quarter of 1998.

Effective December 29, 1997, we began recognizing Company-owned restaurant contributions to the Marketing Fund and to those local market cooperative advertising funds deemed to be controlled by us (collectively, the "Controlled Funds"), as advertising and related costs at the time the Controlled Funds actually incurred such expenses. Through December 28, 1997, Company-owned restaurant contributions to the Marketing Fund and local market cooperative advertising funds were expensed as incurred. The Controlled Funds generally incurred expenses as contributions were received; therefore, the impact of this change was not material.

Foreign Currency Translation

The local currency is the functional currency for our foreign subsidiary, Perfect Pizza. Earnings are translated into U.S. dollars using monthly average exchange rates, while balance sheet accounts are translated using year-end exchange rates. The resulting translation adjustments are included as a component of accumulated other comprehensive income.

Earnings per Share

The calculations of basic and diluted earnings per share before the cumulative effect of a change in accounting principle for the years ended December 26, 1999, December 27, 1998 and December 28, 1997 are as follows (in thousands, except per share data):

	1999	**1998**	**1997**
Basic earnings per share:			
Income before cumulative effect of a change in accounting principle	$ 47,286	$ 34,964	$ 23,565
Weighted average shares outstanding	30,195	29,537	29,044
Basic earnings per share	$ 1.57	$ 1.18	$ 0.81

	1999	1998	1997
Diluted earnings per share:			
Income before cumulative effect of a change in accounting principle	$ 47,286	$ 34,964	$ 23,565
Weighted-average shares outstanding	30,195	29,537	29,044
Dilutive effect of outstanding common stock options	885	918	676
Diluted weighted-average shares outstanding	31,080	30,455	29,720
Diluted earnings per share	$ 1.52	$ 1.15	$ 0.79

Options to purchase common stock with an exercise price greater than the average market price were not included in the computation of the dilutive effect of common stock options because the effect would have been antidilutive. The number of antidilutive options was 986,000 in 1999, 213,000 in 1998, and 695,000 in 1997.

Accounting Changes

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, “Reporting on the Costs of Start-Up Activities” (the “SOP”), which requires that costs related to start-up activities be expensed as incurred. Prior to 1998, we capitalized our start-up costs incurred primarily in connection with opening new restaurant and commissary locations and amortized these costs on a straight line basis over a period of one year from the facility's opening date. We adopted the provisions of the SOP in our financial statements for the year ended December 27, 1998. The adoption resulted in a charge in the first quarter of 1998 for the cumulative effect of an accounting change of $2.6 million, net of taxes of $1.5 million, to expense costs that had been previously capitalized prior to 1998. Excluding the one-time cumulative effect, the adoption of the new accounting standard did not have a material impact on 1998 operating results.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS 133), “Accounting for Derivative Instruments and Hedging Activities,” which is required to be adopted in years beginning after June 15, 2000. Because of Papa John’s minimal use of derivatives, management does not anticipate that its adoption of SFAS 133 will have a significant effect on our earnings or financial position.

Prior Year Data

Certain prior year data has been reclassified to conform to the 1999 presentation.

3. Business Combinations

On March 28, 1999, we acquired Minnesota Pizza Company, LLC ("Minnesota Pizza"), a franchisee that operated 37 Papa John's restaurants in the Minneapolis/St. Paul, Minnesota market. We issued 128,119 shares of our common stock having a value of $5.4 million in exchange for all of the issued and outstanding ownership interests of Minnesota Pizza. The transaction was accounted for as a pooling of interests for financial reporting purposes and as a taxable transaction for income tax purposes. Our previously reported results of operations and balance sheets have been restated to include Minnesota Pizza. Intercompany transactions between the Company and Minnesota Pizza have been eliminated in the accompanying consolidated financial statements. The operating results previously reported by the Company and Minnesota Pizza separately are summarized below:

	Year Ended December 27, 1998		**Year Ended December 28, 1997**	
(In thousands)	Papa John's	Minnesota Pizza	Papa John's	Minnesota Pizza
Total revenues	$ 787,347	$ 19,196	$ 601,341	$ 11,119
Eliminations	(117,541)	(6,850)	(92,557)	(4,235)
Net combined revenue	669,806	12,346	508,784	6,884
Net income (loss)	35,165	(2,804)	26,853	(3,288)
Pro forma net income (loss)	35,165	(1,767)	26,853	(2,071)

The Minnesota Pizza pro forma net income (loss) includes an income tax benefit for the treatment of Minnesota Pizza as a C Corporation rather than a limited liability company taxed as a partnership, with an assumed effective income tax rate of 37%, assuming Minnesota Pizza would be able to record the tax benefit on such losses.

On August 23, 1999, we acquired Great American Pizza, Inc., a franchisee which operated 18 Papa John's restaurants in the Cleveland, Ohio market for total consideration of $6.5 million, consisting of $1.5 million in cash and a $5.0 million short-term note payable due January 2000.

On November 29, 1999, we acquired Perfect Pizza Holdings Limited ("Perfect Pizza"), a Company located in the United Kingdom, for $32.3 million in cash. The preliminary Perfect Pizza allocation for this acquisition resulted in goodwill of $30.9 million, which is being amortized over 20 years. At December 26, 1999, Perfect Pizza operated and franchised 206 restaurants (12 Company-owned and 194 franchised).

During 1999, we acquired an additional 10 Papa John's restaurants from franchisees for $4.5 million in cash.

On December 27, 1999, subsequent to year-end, we acquired PJNJ Foods, Inc., a franchisee of 19 Papa John's restaurants in New Jersey for $7.9 million ($6.6 million in cash and $1.3 million of assumed net liabilities).

The business combinations in the previous four paragraphs were each accounted for by the purchase method of accounting, whereby operating results subsequent to the acquisition date are included in our financial statements.

Also see Note 12, Related Party Transactions, for a discussion of other business combinations involving related parties.

4. Investments

A summary of our available-for-sale securities as of December 26, 1999 and December 27, 1998 follows (in thousands):

December 26, 1999	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Municipal bonds	$ 15,187	$ -	$ (189)	$ 14,998
Mortgage-backed securities	83	8	-	91
Fixed income mutual funds	5,712	-	(346)	5,366
Equity securities	-	956	-	956
Other	442	-	-	442
Interest receivable	233	-	-	233
Total	$ 21,657	$ 964	$ (535)	$ 22,086

December 27, 1998	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debt securities	$ 500	$ -	$ (1)	$ 499
Municipal bonds	32,011	158	-	32,169
Mortgage-backed securities	239	8	-	247
Fixed income mutual funds	10,822	-	(375)	10,447
Equity securities	1,998	1,549	-	3,547
Interest receivable	446	-	-	446
Total	$ 46,016	$ 1,715	$ (376)	$ 47,355

The amortized cost and estimated fair value of securities at December 26, 1999, by contractual maturity, are shown below (in thousands). Expected maturities will differ from contractual maturities because the issuers of securities may have the right to prepay obligations without prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 7,490	$ 7,412
Due after one year through three years	7,697	7,586
Mortgage-backed securities	83	91
Fixed income mutual funds	5,712	5,366
Equity securities	-	956
Other	442	442
Interest receivable	233	233
Total	$ 21,657	$ 22,086

5. Net Property and Equipment

Net property and equipment consists of the following (in thousands):

	1999	1998
Land	$ 25,798	$ 18,200
Buildings and improvements	66,494	18,871
Leasehold improvements	60,763	47,999
Equipment and other	121,414	91,148
Construction in progress	23,089	46,642
	297,558	222,860
Less accumulated depreciation and amortization	(69,745)	(49,988)
Net property and equipment	$ 227,813	$ 172,872

6. Franchisee Loan Program

During 1996, we established a program under which selected franchisees may borrow funds for use in the construction and development of their restaurants. Loans outstanding to franchisees were approximately $11.7 million as of December 26, 1999 and $9.0 million as of December 27, 1998. As of December 26, 1999, commitments to lend up to an additional $2.5 million had been made. Such loans bear interest at fixed or floating rates (ranging from 5.5% to 12.0% at December 26, 1999), and are generally secured by the fixtures, equipment, signage and, where applicable, land of each restaurant and the ownership interests in the franchisee. Interest earned on franchisee loans was approximately $762,000 in 1999, $986,000 in 1998 and $815,000 in 1997, and is reported in investment income in the accompanying consolidated statements of income. Approximately $3.6 million of the loans outstanding as of December 26, 1999 and $4.7 million as of December 27, 1998 were to franchisees in which we or certain of our directors or officers had an ownership interest.

7. Accrued Expenses

Accrued expenses consist of the following *(in thousands)*:

	1999	**1998**
Salaries, wages and bonuses	$ 3,236	$ 2,748
Taxes other than income	5,498	5,093
Insurance	4,451	3,733
Income taxes	9,205	5,027
Facility costs	1,335	3,494
Rent	1,360	1,081
Advertising litigation	4,083	-
Other	9,348	5,740
Total	$ 38,516	$ 26,916

8. Debt and Credit Arrangements

(in thousands)	**1999**	**1998**
Economic development loan	$ 1,130	$ 1,320
Note payable from acquisition	5,103	-
Bank debt – Minnesota Pizza (pre-acquisition)	-	7,100
	6,233	8,420
Current portion of debt	(5,308)	(190)
Long-term debt	$ 925	$ 8,230

As of December 26, 1999, we had a $20.0 million committed line of credit agreement expiring on June 30, 2000. Subsequent to year-end, in connection with the authorization of a share repurchase program (see Note 15), available credit was extended to $100.0 million on an interim basis. Effective March 17, 2000, we entered into a new $150.0 million unsecured revolving line of credit facility with an expiration date of March 17, 2003. Outstanding balances for this facility accrue interest at 50.0 to 87.5 basis points over LIBOR or other bank developed rates at our option. The committed fee on the unused balance ranges from 12.5 to 20.0 basis points. The increment over LIBOR and the commitment fee are determined quarterly based upon the ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization (EBITDA). On March 17, 2000, $85.0 million was outstanding under this facility.

In connection with the new line of credit facility, Papa John’s entered into a no-fee interest rate collar (“Collar”) with a notional amount of $100.0 million, a 30-day LIBOR rate range of 6.36% (floor) to 9.50% (ceiling) and an expiration date of March 2003. The purpose of the Collar is to provide a hedge against the effects of rising interest rates. Papa John’s will make payments under the terms of the Collar when the 30-day LIBOR rate is below the floor to raise the effective rate to 6.36%, and will receive payments when the 30-day LIBOR is above the ceiling, to lower the effective rate to 9.50%, thus assuring that Papa John’s effective 30-day LIBOR rate is always within the above stated range. When 30-day LIBOR is within the range, no payments are made or received under the Collar. Amounts payable or receivable under the Collar will be accounted for as an adjustment in interest expenses.

9. Cheese Pricing Arrangement

Papa John’s Franchise Advisory Council has initiated a program that allows the cost of cheese to Papa John’s restaurants to be established on a quarterly basis. An independent franchisee-owned corporation, BIBP Commodities, Inc. (“BIBP”), was established effective December 27, 1999 through which the program will be administered. BIBP will purchase cheese at the market price and sell it to our distribution subsidiary, PJ Food Service, Inc. (PJFS), at a fixed quarterly price based, in part, upon historical average market prices. PJFS in turn sells cheese to Papa John's restaurants (Company-owned and franchised) at a set quarterly price. Gains or losses incurred by BIBP due to differences in the actual market price of cheese purchased and the established quarterly sales price are factored into determining the price for the following quarter. We have agreed to provide a $17.6 million loan facility to BIBP to fund cash deficits that may arise. No amounts were advanced under this facility as of December 26, 1999.

10. Income Taxes

A summary of the provision for income taxes (exclusive of the tax effect related to the cumulative effect of accounting change) follows (in thousands):

	1999	1998	1997
Current			
Federal	$ 22,893	$ 18,849	$ 13,061
State and local	3,781	3,247	2,183
Deferred (federal and state)	1,757	85	528
Total	$ 28,431	$ 22,181	$ 15,772

Significant deferred tax assets (liabilities) follow (in thousands):

	1999	1998
Unearned development fees	$ 2,324	$ 2,387
Unrealized loss on investments	200	142
Accrued expenses	4,069	2,485
Acquired franchise rights	5,245	-
Other	5	304
Total deferred tax assets	11,843	5,318
Valuation allowance related to unrealized loss on investments	(131)	(142)
Net deferred tax asset	11,712	5,176
Deferred expenses	(3,696)	(1,976)
Accelerated depreciation	(5,599)	(5,101)
Unrealized gain on warrant	(341)	(588)
Other	(1,208)	(487)
Total deferred tax liabilities	(10,844)	(8,152)
Net deferred tax asset (liability)	$ 868	$ (2,976)

The reconciliation of income tax computed at the U.S. federal statutory rate to income tax expense (exclusive of the tax effect related to the cumulative effect of accounting change) for the years ended December 26, 1999, December 27, 1998 and December 28, 1997 is as follows (in thousands):

	1999	1998	1997
Tax at U.S. federal statutory rate	$ 26,501	$ 20,001	$ 13,768
State and local income taxes	2,450	1,845	1,393
Tax exempt investment income	(551)	(761)	(783)
Losses on pooled entity	-	1,037	1,217
Other	31	59	177
Total	$ 28,431	$ 22,181	$ 15,772

Income taxes paid were $19.4 million in 1999, $15.9 million in 1998 and $11.0 million in 1997.

11. PJ America, Inc. Stock Warrant

PJ America, Inc. (“PJ America”), a franchisee of Papa John’s, completed an initial public offering (“IPO”) of its common stock effective October 1996. In connection with the IPO, PJ America issued a warrant to us to purchase 225,000 shares of its common stock. The warrant is exercisable in whole or in part at any time within five years from the closing date of the IPO, and the purchase price of each share of common stock pursuant to the warrant is $11.25 per share (90% of the IPO price of $12.50 per share). The warrant was issued by PJ America to Papa John’s in consideration for the grant of rights to enter into development agreements for certain specified territories and the waiver by us of certain market transfer fees. Our agreement with PJ America anticipates that PJ America will pay standard development and franchise fees in connection with opening restaurants in the specified territories.

We did not recognize income in connection with receipt of the warrant. The warrant is classified as an available-for-sale security, and accordingly, is stated at fair value in the consolidated balance sheets, with unrealized gains, net of tax, reported within comprehensive income.

The fair value of the warrant was $956,000 on December 26, 1999 and $1.5 million on December 27, 1998, based upon the closing price per share of $15.50 and $18.13 for PJ America common stock on those respective dates, and is reported in investments in the accompanying consolidated balance sheets. The intrinsic value of the warrant (market value of PJ America common stock less the exercise price of the warrant) is considered a reasonable approximation of the fair value of the warrant.

Certain of our officers and/or directors are also officers and/or directors of PJ America.

12. Related Party Transactions

Certain of our officers and directors own equity interests in entities that operate and/or have rights to develop franchised restaurants. Certain of these affiliated entities have agreements to acquire area development rights at reduced development fees and also pay reduced initial franchise fees when restaurants are opened. All such entities pay royalties at the same rate as other franchisees. Following is a summary of transactions and balances with affiliated entities (in thousands):

	1999	**1998**	**1997**
Revenues from affiliates:			
Commissary sales	$ 80,336	$ 64,977	$ 47,153
Equipment and other sales	10,423	10,721	8,187
Franchise royalties	10,530	8,067	6,265
Franchise and development fees	1,574	1,372	1,381
Total	$ 102,863	$ 85,137	$ 62,986
Other income from affiliates	$ 314	$ 570	$ 514
Accounts receivable-affiliates	$ 3,302	$ 2,273	$ 2,454
Notes receivable-affiliates	$ 3,590	$ 4,741	$ 7,997

We paid $1.3 million in 1999, $966,000 in 1998 and $689,000 in 1997 for charter aircraft services provided by entities owned by certain directors and officers, including the Chief Executive Officer of Papa John's.

We advanced $198,000 in 1999, $183,000 in 1998 and $197,000 in 1997, in premiums for split-dollar life insurance coverage on the Chief Executive Officer for the purpose of funding estate tax obligations. Papa John's and the officer share the cost of the premiums. The premiums advanced by us will be repaid out of the cash value or proceeds of the policies.

During the fourth quarter of 1999, we sold five restaurants to Capital Pizza, Inc., for total consideration of $1.6 million ($1.4 million in cash and $200,000 as a note receivable) and acquired one restaurant from Capital Pizza, Inc. for total consideration of $190,000, in which we forgave a note payable to us. Capital Pizza, Inc. is owned by certain of our officers, including our Vice Chairman and President.

During the fourth quarter of 1997, we acquired a 49% equity ownership interest in Mountain Pizza Group, L.L.C. (“MPG”), for $150,000 in cash. In July 1998, we acquired the remaining 51% for $565,000 in cash. In connection with the 1998 acquisition, we also assumed $2.4 million in MPG debt. MPG, an entity which operated seven Papa John’s restaurants in Denver, Colorado, was owned by our Vice Chairman and President. The operating results of MPG were accounted for by the equity method until the remaining 51% was acquired in 1998. Also during the fourth quarter of 1997, we acquired three Papa John’s restaurants near Denver, Colorado for $720,000 in cash. These restaurants were owned by our Chief Executive Officer and his wife.

During the second quarter of 1997, we acquired 16 Papa John’s restaurants in North Carolina for $5.0 million (consisting of $4,960,000 in cash and a credit of $40,000 towards future development fees). A majority ownership interest in the franchisee of the North Carolina restaurants was held by certain of our directors and officers, including our Chief Executive Officer.

The above acquisitions were accounted for by the purchase method of accounting, whereby operating results subsequent to the acquisition date are included in our financial statements.

13. Lease Commitments

We lease office, retail and commissary space under operating leases with terms generally ranging from three to five years and providing for at least one renewal. Certain leases further provide that the lease payments may be increased annually based on the Consumer Price Index. We also lease certain equipment under operating leases with terms ranging from three to seven years. Future minimum lease payments are as follows: 2000 - $16.8 million; 2001 - $14.6 million; 2002 - $12.1 million; 2003 - $10.2 million; 2004 - $8.4 million and thereafter - $30.7 million. Total rent expense was $12.4 million in 1999, $11.2 million in 1998, and $8.5 million in 1997.

14. Advertising Litigation

On August 12, 1998, Pizza Hut, Inc. filed suit against us in the United States District Court for the Northern District of Texas, claiming that our "Better Ingredients. Better Pizza." slogan constitutes false and deceptive advertising in violation of the Lanham Trademark Act. The trial began on October 25, 1999. On November 18, 1999, the jury returned a verdict that our "Better Ingredients. Better Pizza." slogan is false and deceptive. On January 3, 2000, the court announced its judgment, awarding Pizza Hut $468,000 in damages and ordering us to cease all use of the "Better Ingredients. Better Pizza." slogan. Under the judge's order, we were to cease using the slogan in print and broadcast advertising by January 24, 2000, phase out printed promotional materials and other items containing the slogan (except signage) by March 3, 2000 and remove the slogan from restaurant signage by April 3, 2000. However, we filed an appeal of the verdict and the court's order and a motion for stay of the court's order pending outcome of the appeal. On January 21, 2000, the United States Court of Appeals for the Fifth Circuit granted a stay of the District Court judgment pending our appeal. Oral arguments related to the appeal are scheduled to begin in April 2000.

We estimated that the pre-tax costs of complying with the court's order and certain related costs could approximate $12.0 to $15.0 million, of which $6.1 million was recorded as a pre-tax charge against 1999 earnings. If our appeal is successful, the timing, and possibly the amount, of costs to be incurred could be favorably impacted.

15. Share Repurchase

The Papa John's Board of Directors has authorized the repurchase of up to $150.0 million of common stock under a share repurchase program that began December 9, 1999, and runs through December 31, 2000. Funding for the share repurchase program will be provided through a combination of our existing cash and investments, $150.0 million credit facility and operating cash flows.

Through December 26, 1999, a total of 1.3 million shares with an aggregate cost of $31.7 million were repurchased under this program and placed in treasury. Subsequent to year-end through March 17, 2000, an additional 3.4 million shares with an aggregate cost of $87.4 million were repurchased.

16. Stockholder Protection Rights Agreement

On February 14, 2000, the Board of Directors of the Company adopted a Stockholder Protection Rights Agreement (the "Rights Plan"). Under the terms of the Rights Plan, one preferred stock purchase right was distributed as a dividend on each outstanding share of Papa John's common stock held of record as of the close of business on March 1, 2000. The rights generally will not become exercisable until a person or group acquires beneficial ownership of 15% or more of the Company's common stock in a transaction that is not approved in advance by the Board of Directors. The Company's Founder and CEO, John Schnatter, who currently owns more than 25% of the outstanding common stock will be excluded from operation of the Rights Plan unless (together with his affiliates and family members) he acquires more than 40% of the Company's common stock.

If the rights are triggered, then each right owned by a stockholder other than the unapproved acquirer entitles its holder to purchase shares of Company common stock at 50% of its market price. In addition, after the rights are triggered, if the Company is acquired by an unapproved acquirer in a merger or other business combination transaction, each right that has not previously been exercised will entitle its holder to purchase, at the right's current exercise price, common shares of such other entity having a value of twice the right's exercise price. The Company may redeem the rights for a nominal amount at any time prior to an event that causes the rights to become exercisable.

17. Stock Options

In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), we have elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related Interpretations in accounting for our employee stock options because, as discussed below, the alternative fair value accounting provided for under SFAS 123 requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of our employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized.

We award stock options under the Papa John's International, Inc. 1993 Stock Ownership Incentive Plan (the "1993 Plan"), the Papa John's International, Inc. 1993 Non-Employee Directors Stock Option Plan (the "Directors Plan") and the Papa John's International, Inc. 1999 Team Member Stock Ownership Plan (the "1999 Plan"). Shares of common stock authorized for issuance are 6,400,000 under the 1993 Plan, 370,000 under the Directors Plan and 1,000,000 under the 1999 Plan. Options granted under all plans generally expire ten years from the date of grant and vest over one to five year periods, except for certain options awarded under a previous multi-year operations compensation program which vested immediately upon grant.

Pro forma information regarding net income and earnings per share is required by SFAS 123, which also requires that the information be determined as if we have accounted for our employee stock options granted subsequent to December 25, 1994 under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model, which was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. Our pro forma information follows, along with the indicated weighted-average assumptions used:

	1999	**1998**	**1997**
Pro forma net income before cumulative effect of a change in accounting principle *(in thousands)*	$ 39,349	$ 26,457	$ 16,815
Pro forma earnings per share:			
Basic	$ 1.30	$ .90	$ .58
Diluted	$ 1.27	$ .87	$ .57
Assumptions (weighted-average):			
Risk-free interest rate	6.0%	4.8%	5.7%
Expected dividend yield	0.0%	0.0%	0.0%
Expected volatility	0.47	0.47	0.47
Expected life (in years)	4.0	4.0	3.6

The pro forma net income before cumulative effect of a change in accounting principle for 1998 and 1997 has been restated for the March 1999 acquisition of Minnesota Pizza (see Note 3).

Because SFAS 123 is applicable only to options granted subsequent to December 25, 1994, our pro forma effect will not be fully reflected until a complete five years of vesting occurs for 1995 option awards in 2000.

Information pertaining to options for 1999, 1998 and 1997 is as follows (number of options in thousands):

	1999		1998		1997	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding-beginning of year	5,782	$ 28.54	5,197	$ 25.28	3,532	$ 20.98
Granted	1,216	26.68	1,535	37.90	2,259	29.30
Exercised	636	22.72	545	21.41	351	10.09
Cancelled	622	32.83	405	29.53	243	25.91
Outstanding-end of year	5,740	$ 28.55	5,782	$ 28.54	5,197	$ 25.28
Exercisable-end of year	2,638	$ 27.30	2,232	$ 25.64	1,567	$ 21.96
Weighted-average fair value of options granted during the year		$ 9.22		$ 13.43		$ 10.22

The number, weighted-average exercise price and weighted-average remaining contractual life of options outstanding as of December 26, 1999, and the number and weighted-average exercise price of options exercisable as of December 26, 1999 follow (number of options in thousands):

	Range of Exercise Prices	**Number of Options**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Life**
Outstanding options:	$ 5.78 - $ 9.99	71	$ 6.36	3.60
	10.00 - 19.99	633	16.33	5.72
	20.00 - 29.99	2,427	25.37	8.15
	30.00 - 45.56	2,609	35.08	8.12
Total		5,740	$ 28.55	7.81
Exercisable options:	$ 5.78 - $ 9.99	71	$ 6.36	
	10.00 - 19.99	483	15.92	
	20.00 - 29.99	955	26.20	
	30.00 - 45.56	1,129	34.41	
Total		2,638	$ 27.30	

Plan provisions provide that excess available shares under the 1993 Plan may be transferred to the 1999 Plan. As of December 26, 1999, 477,000 shares were available for future issuance under the 1993 and 1999 plans and 106,750 shares under the Directors Plan.

18. Defined Contribution Benefit Plan

We have established the Papa John’s International, Inc. 401(k) Plan (the “Plan”), as a defined contribution benefit plan, in accordance with Section 401(k) of the Internal Revenue Code. The Plan is open to all employees who meet certain eligibility requirements and allows participating employees to defer receipt of a portion of their compensation and contribute such amount to one or more investment funds. Effective July 1, 1999, we began contributing up to 1.5% of a participating employees earnings. Our contributions for 1999 were $220,000 and will vest based upon a participants' service date. Administrative costs of the Plan are paid by us and are not significant.

19. Segment Information

We have defined three reportable segments: restaurants, commissaries, and franchising. The restaurant segment consists of the operations of all Company-owned restaurants and derives its revenues from retail sales of pizza, breadsticks, cheesesticks and soft drinks to the general public. The commissary segment consists of the operations of our regional dough production and product distribution centers and derives its revenues from the sale and distribution of food and paper products to Company-owned and franchised restaurants. The franchising segment consists of our franchise sales and support activities and derives its revenues from sales of franchise and development rights and collection of royalties from our franchisees. All other business units that do not meet the quantitative thresholds for determining reportable segments consist of operations that derive revenues from the sale of restaurant equipment, printing and promotional items, risk management services, and information systems and related services used in restaurant operations principally to Company-owned and franchised restaurants.

Generally, we evaluate performance and allocate resources based on profit or loss from operations before income taxes and eliminations. Certain administrative and capital costs are allocated to segments based upon predetermined rates or actual estimated resource usage. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We account for intercompany sales and transfers as if the sales or transfers were to third parties and eliminate the related profit in consolidation.

Our reportable segments are business units that provide different products or services. Separate management of each segment is required because each business unit is subject to different operational issues and strategies. Through December 26, 1999, substantially all revenues for each business segment were derived from business activities conducted with customers located in the United States. No single external customer accounted for 10% or more of our consolidated revenues.

Segment information is as follows *(in thousands)*:

	1999	**1998** (1)	**1997** (1)
Revenues from external customers:			
Restaurants	$ 395,091	$ 344,089	$ 262,272
Commissaries	309,015	255,083	184,407
Franchising	48,141	37,576	29,037
All others	53,078	45,404	39,952
Total revenues from external customers	$ 805,325	$ 682,152	$ 515,668
Intersegment revenues:			
Commissaries	$ 118,507	$ 108,218	$ 81,223
Franchising	139	128	107
All others	15,431	15,570	14,869
Total intersegment revenues	$ 134,077	$ 123,916	$ 96,199
Depreciation and amortization:			
Restaurants	$ 13,900	$ 12,001	$ 8,940
Commissaries	4,192	3,296	3,199
Franchising	177	44	26
All others	693	839	783
Unallocated corporate expenses	5,865	4,310	7,490
Total depreciation and amortization	$ 24,827	$ 20,490	$ 20,438
Income before income taxes:			
Restaurants	$ 15,014	$ 9,549	$ 2,636
Commissaries	22,078	17,893	14,260
Franchising	42,252	32,143	24,689
All others	5,185	5,033	3,422
Unallocated corporate expenses	(8,577)	(7,191)	(5,405)
Elimination of intersegment profits	(235)	(282)	(265)
Total income before income taxes	$ 75,717	$ 57,145 (2)	$ 39,337
Fixed assets:			
Restaurants	$ 145,176	$ 124,390	$ 95,095
Commissaries	56,715	42,503	27,673
All others	5,153	4,368	4,110
Unallocated corporate assets	90,514	51,599	22,292
Accumulated depreciation and amortization	(69,745)	(49,988)	(33,561)
Net fixed assets	$ 227,813	$ 172,872	$ 115,609
Expenditures for fixed assets:			
Restaurants	$ 24,822	$ 30,401	$ 30,480
Commissaries	15,296	14,873	7,877
All others	777	290	269
Corporate	40,266	25,297	5,921
Total expenditures for fixed assets	$ 81,161	$ 70,861	$ 44,547

(1) Restated for the March 1999 acquisition of Minnesota Pizza (see Note 3).
(2) Excludes the cumulative effect of a change in accounting principle.

20. Quarterly Data (unaudited, in thousands, except per share data)

Quarter	1st		2nd	
	1999	1998	1999	1998
Total revenues:				
As previously reported	$ 187,351	$ 152,928	$ 200,384	$ 162,273
As restated	187,351	155,493	200,384	165,204
Operating income:				
As previously reported	17,500	12,024	18,898	13,418
As restated	17,500	11,374	18,898	12,935
Income before cumulative effect of a change in accounting principle:				
As previously reported	11,383	8,243	12,334	9,197
As restated	11,383	7,509	12,334	8,631
Net income:				
As previously reported	11,383	5,640	12,334	9,197
As restated	11,383	4,906	12,334	8,631
Basic earnings per share:				
Income before cumulative effect of a change in accounting principle:				
As previously reported	$ .38	$ .28	$ .41	$ .31
As restated	.38	.26	.41	.29
Net income:				
As previously reported	.38	.19	.41	.31
As restated	.38	.17	.41	.29
Diluted earnings per share:				
Income before cumulative effect of a change in accounting principle:				
As previously reported	$ .37	$ .28	$ .40	$ .30
As restated	.37	.25	.40	.28
Net income:				
As previously reported	.37	.19	.40	.30
As restated	.37	.16	.40	.28

All quarterly information above is presented in 13 week periods. Quarterly amounts for 1998 previously reported have been restated to reflect the March 1999 acquisition of Minnesota Pizza, a business combination accounted for as a pooling of interests (see Note 3).

Quarterly Data *(continued)*

Quarter	3rd		4th	
	1999	1998	1999	1998
Total revenues:				
As previously reported	$ 202,080	$ 166,428	$ 215,510	$188,177
As restated	202,080	169,432	215,510	192,023
Operating income:				
As previously reported	18,955	14,234	16,980	15,841
As restated	18,955	13,342	16,980	15,394
Income before cumulative effect of a change in accounting principle:				
As previously reported	12,366	9,675	11,203	10,653
As restated	12,366	8,699	11,203	10,125
Net income:				
As previously reported	12,366	9,675	11,203	10,653
As restated	12,366	8,699	11,203	10,125
Basic earnings per share:				
Income before cumulative effect of a change in accounting principle:				
As previously reported	$ .41	$ .33	$ .37	$ .36
As restated	.41	.29	.37	.34
Net income:				
As previously reported	.41	.33	.37	.36
As restated	.41	.29	.37	.34
Diluted earnings per share:				
Income before cumulative effect of a change in accounting principle:				
As previously reported	$ .40	$ .32	$ .36	$ .35
As restated	.40	.29	.36	.33
Net income:				
As previously reported	.40	.32	36	.35
As restated	.40	.29	.36	.33

Report of Management

The consolidated financial statements appearing in this Annual Report have been prepared by management, which is responsible for their preparation, integrity and fair presentation. The statements have been prepared in accordance with generally accepted accounting principles in the United States and necessarily include some amounts that are based on management's best estimates and judgments.

Management is responsible for the system of internal controls over financial reporting at Papa John's International, Inc. and its subsidiaries, a system designed to provide reasonable assurance regarding the preparation of reliable published financial statements. This system is augmented by written policies and procedures and the selection and training of qualified personnel. Management believes that its system of internal controls over financial reporting provides reasonable assurance that the financial records are reliable for preparing financial statements.

The Audit Committee of the Board of Directors meets with the independent auditors and management periodically to discuss internal controls over financial reporting and other auditing and financial reporting matters. The Committee reviews with the independent auditors the scope and results of the audit effort. The Committee also meets with the independent auditors without management present to ensure that the independent auditors have free access to the Committee. The independent auditors are recommended by the Audit Committee of the Board of Directors and selected by the Board of Directors. Based upon their audit of the consolidated financial statements, the independent auditors, Ernst & Young LLP, have issued their Report of Independent Auditors, which follows.

Report of Independent Auditors

The Board of Directors and Stockholders
Papa John's International, Inc.

We have audited the accompanying consolidated balance sheets of Papa John's International, Inc. and subsidiaries as of December 26, 1999 and December 27, 1998, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 26, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 consolidated financial position of Papa John's International, Inc. and subsidiaries at December 26, 1999 and December 27, 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 26, 1999, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, effective for fiscal year 1998, the Company adopted SOP 98-5, "Reporting on the Costs of Start-Up Activities."

Ernst & Young LLP

Louisville, Kentucky
March 17, 2000

Annual Meeting of Stockholders

Wednesday, May 24, 2000 • 11:00 a.m. Eastern Daylight Time • Papa John's International, Inc. • 2002 Papa John's Boulevard Louisville, Kentucky

Additional Publications and Inquiries

General information about Papa John's is available on the Company's Web site at www.papajohns.com.

Additional information about Papa John's, including copies of the Company's Form 10-K report filed with the Securities and Exchange Commission, may be obtained without charge from:

E. Drucilla Milby • Senior Vice President, Chief Financial Officer and Treasurer • Papa John's International, Inc. P.O. Box 99900 • Louisville, Kentucky 40269-0900 • (502) 261-7272

Stock Transfer Agent

National City Bank • Corporate Trust Administration • P. O. Box 94915 • Cleveland, Ohio 44101-4915 • (216) 575-2494

Independent Auditors

Ernst & Young LLP • Louisville, Kentucky

Legal Counsel

Greenebaum Doll & McDonald, PLLC • Louisville, Kentucky

Corporate Office

Papa John's International, Inc. • 2002 Papa John's Boulevard • Louisville, Kentucky 40299-2334 • Telephone: (502) 261-7272

Market for Registrant's Common Equity and Related Stockholder Matters

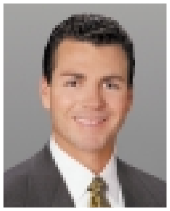
Our common stock trades on the NASDAQ National Market tier of The NASDAQ Stock Market under the symbol PZZA. As of March 13, 2000, there were approximately 932 record holders of common stock. The following table sets forth for the quarters indicated the high and low sale prices of our common stock, as reported by The NASDAQ Stock Market.

	1999		1998	
	High	**Low**	**High**	**Low**
First Quarter	$ 47.38	$ 38.88	$ 38.88	$ 31.25
Second Quarter	44.13	35.25	44.00	37.50
Third Quarter	44.88	37.81	39.91	26.50
Fourth Quarter	44.50	23.31	42.25	29.25

Since our initial public offering of common stock in 1993, we have not paid dividends on our common stock, and have no plans to do so in the foreseeable future.

This Annual Report was printed by Papa John's Support Services, Inc.

Officers



John H. Schnatter
CEO and Chairman
of the Board

Richard J. Emmett
Senior Vice President
and Senior Counsel

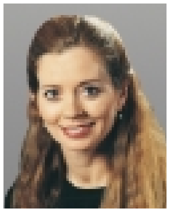
Syl J. Sosnowski
Vice President,
Marketing

Blaine E. Hurst
Vice Chairman
and President

Barry M. Barron
Senior Vice President,
International
Development

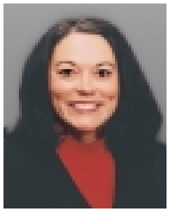
Hart Boesel
Vice President,
Franchise Sales
and Operations

Charles W. Schnatter
Senior Vice President,
Secretary and
General Counsel

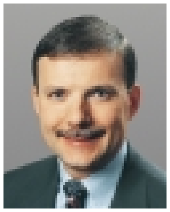


Mary Ann Palmer
Vice President,
People Department

Thomas C. Kish
Vice President,
Information Systems
and Support Services



E. Drucilla Milby
Senior Vice President,
Chief Financial Officer
and Treasurer

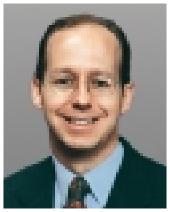


J. David Flanery
Vice President and
Corporate Controller

Timothy C. O'Hern
Vice President,
U.S. Development

Robert J. Wadell
President,
PJ Food Service

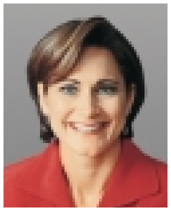
Thomas R. Thompson
Vice President,
Risk Management



Christopher J. Sternberg
Vice President,
Corporate
Communications

Robert N. Thiess
Vice President,
International
Development

Ross L. Peebles
Regional
Vice President

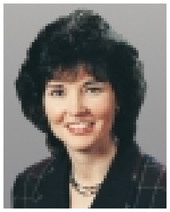


Debra C. Gmelin
Vice President,
Marketing Sales
and Development

Jerry R. Owens
Vice President,
Commissary
Operations,
PJ Food Service

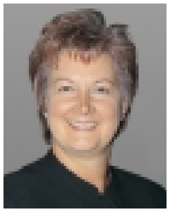
Gary R. Glielmi
Regional
Vice President

Arjun Sen
Vice President,
Marketing and
Operations Services



Julie Larner
Vice President,
Finance and
Administration,
PJ Food Service

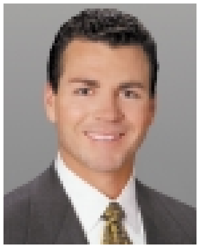
Larry Roberts
Regional
Vice President



Dana Tilley
Vice President,
Research and Development,
Quality Assurance

Michael Cortino
Regional
Vice President

Board of Directors



John H. Schnatter
Founder, Chairman and
Chief Executive Officer

Wade S. Oney
Papa John's Franchisee,
Member of Papa John's
Franchise Advisory Council

Blaine E. Hurst
Vice Chairman
and President

O. Wayne Gaunce
Principal, Gaunce Management

Charles W. Schnatter
Senior Vice President,
General Counsel and Secretary

Jack A. Laughery
Restaurant Investor
and Consultant

Richard F. Sherman
Chairman, PJ America
and Private Investor

Michael W. Pierce
President,
Arkansas Pizza Group, Inc.

PIZZA
PAPA JOHN'S