

CHICAGO PIZZA & BREWERY, INC.



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CHICAGO PIZZA & BREWERY, INC.

COMPANY PROFILE

BJ'S RESTAURANT & BREWERY

BJ'S RESTAURANT & BREWHOUSE

BJ'S PIZZA & GRILL

Chicago Pizza & Brewery, Inc. owns and operates a group of casual dining restaurants under the BJ's Restaurant & Brewery, BJ's Restaurant & Brewhouse and BJ's Pizza & Grill brand names. Offering innovative menus and concept variations, BJ's Restaurants feature award-winning deep dish pizza complemented with generously portioned salads, soups, pasta, sandwiches, entrées and desserts. Quality, flavor, value, moderate prices and sincere service remain distinct attributes of the BJ's experience.

The Company operates nine microbreweries which produce and distribute BJ's critically acclaimed handcrafted beers throughout the chain: Chandler, Arizona; Boulder, Colorado; Jantzen Beach and Lloyd Center, Oregon; Brea, Oxnard, West Covina and Woodland Hills, California; Houston, Texas. The Company currently operates BJ's Restaurants in California (21), Texas (4), Oregon (3), Arizona (1), Colorado (1). An additional unit is operated under a licensing agreement in Lahaina Maui, Hawaii. The common stock of Chicago Pizza & Brewery, Inc. is traded on NASDAQ under the symbol "CHGO".

BJ's Restaurant & Brewhouse, San Jose, California



Front and back cover:
Commissioned for use in both our interior and exterior mural programs, the circa 1930's Works Progress Administration scratch board illustration depicts heroic workers and underscores a core value of Chicago Pizza & Brewery, Inc: respect for the every-day worker and the hard-earned dollars they choose to spend.



Selected Financial Highlights:

<i>(in thousands, except per share)</i>	<i>fiscal year</i>		
	<i>2003</i>	<i>2002</i>	<i>2001</i>
Total Revenues	\$ 102,959	\$ 75,705	\$ 64,683
Net Income	\$ 3,593	\$ 1,667	\$ 3,177
Net income per share:			
Basic	\$ 0.18	\$ 0.10	\$ 0.33
Diluted	\$ 0.18	\$ 0.09	\$ 0.30
Total Assets	\$ 83,705	\$ 77,849	\$ 40,255
Shareholders' equity	\$ 71,051	\$ 66,616	\$ 28,095

L E T T E R T O O U R S H A R E H O L D E R S

We are pleased to report another successful year for our company in 2003 as we met or exceeded most of our expectations. In addition, there were several developments during 2003 which we believe will have a very positive impact on the Company for years to come. The highlights of the year included:

- **A 36% increase in revenues**
- **A 116% increase in earnings**
- **A 3.2% increase in same-store sales**
- **The successful opening of 4 new restaurants**
- **Sales exceeding \$100 million**

The increase in revenues was due to the four stores opened during 2003 as well as the four stores opened during the latter part of 2002. Included in that group of openings were some of the most successful in the Company's history. Also included were the initial units in three new markets: Northern California, Dallas and Houston, Texas. We are pleased with the reception

our restaurants have received in these markets. The Northern California stores (Cupertino and San Jose) achieved revenues comparable to our very successful Southern California restaurants. The Texas restaurants (Lewisville, Clear Lake and Addison), while not experiencing California-level revenues, are still achieving impressive volumes for a new market. We are encouraged with the way the BJ's brand is developing in Texas. In a recent poll of the readers of a Denton County, Texas newspaper, our Lewisville restaurant, which had been open less than a year, received second place in the best sports bar category as well as the best family restaurant category. These awards not only evidence our brand awareness in this new market, but highlight the broad appeal of our concept, which we believe is a key to the popularity of our restaurants.

Same store sales at our BJ's Restaurants in 2003 were positive, continuing our uninterrupted streak since 1996.

Considering the potential capacity issues at some of our higher volume restaurants, we are very pleased to continue attracting more guests each year. We are particularly pleased with the trend of the increases, as the fourth quarter increase was over 5%. The same store sales increases, combined with the success of our 2002 openings, resulted in full-year average unit volumes at our large restaurants (over 7,000 square feet) of \$5 million. This significant milestone places our restaurants clearly among the highest volume units in the industry.

Even more gratifying than our increase in revenues was our increase in earnings. At the end of 2002 we made certain promises: 1) To start leveraging the relatively high general and administrative expenses which resulted from the build-up of our infrastructure in 2002. We certainly achieved this objective, as our G&A went from 10.3% of revenues in 2002 down to 8.3% in 2003. 2) To make our restaurant opening process more efficient. We achieved this goal



through the redesign of our store opening systems and training schedules. 3) To reduce labor costs through the use of new technology and the opening of stores in Texas, where labor costs are substantially lower than California. As anticipated, labor costs declined to 35.8% from 37.1% due to these factors. This helped to offset an increase in food costs resulting from higher commodity prices in general, as well as higher food costs in new markets where we do not enjoy the substantial purchasing power that we have in Southern California. Overall, these factors contributed to an increase in earnings of 115.6%. We look for earnings growth to outpace revenue growth over the next few years as we continue to leverage general and administrative expenses.

As we look to the future, we are very optimistic about our growth, both in terms of the BJ's concept itself and in terms of new units. We are continually working on improving the concept in all areas – the food, service and environment. In terms of the food, we are at the final stages of completing a project to improve the presentations of our existing menu items. We believe the new presentations will enhance the “wow” factor as the dishes are placed in front of our guests, and create an even greater value perception. Our service improvement initiatives include



Jerry J. Hennessy and Paul A. Motenko

enhanced training programs for both management and staff that have equipped them to serve our guests more effectively. From an environment perspective, we have designed several new versions of our prototype building which are more efficient operationally, yet continue to provide an impressive environment for our guests.

Most significantly, our real estate process has become more effective, as we had executed leases on seven sites by the end of 2003 for development during 2004. Most of these sites are in California, as we look to focus on existing markets and very selectively enter new markets during the next few years. Our goal is to open sufficient new locations to generate consistent annual revenue increases of between 20% and 30%. While we remain very selective in our site approval process, we believe that we are better positioned to achieve this growth objective than we have been in the past.

Finding great sites is only part of the growth process. Our ability to grow effectively is dependent on our success in attracting and retaining great people. We believe this is one of our most significant accomplishments over the past year and greatest challenges for the future. We are committed to making BJ's a great place to work; a place where all our employees can take pride in their contributions to our success and in their embodiment of the values our

company represents. We are very grateful to the over 3,000 dedicated employees who so admirably represent BJ's every day. We thank them for their efforts and thank our shareholders for their confidence in our ability to lead the company towards realizing its tremendous potential. Finally, we extend our deepest appreciation to our loyal guests for their continued support.

Paul A. Motenko

Chairman of the Board

Co-Chief Executive Officer

Jerry J. Hennessy

Co-Chief Executive Officer

President



In light of both increased revenues and earnings, and positive same store sales evidencing our



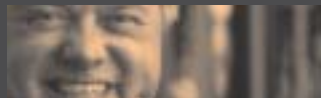
concept's ability to attract more guests, we are ever mindful of the fact that BJ's is only as good

as the last meal served. To this end, our business objectives are guided by the belief that good is simply



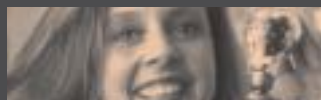
never good enough, fueling an imperative for continual improvement. Happily, like attracts like.

This passionate culture and BJ's Core attributes have attracted top restaurant industry professionals



to our world-class infrastructure. All are highly qualified, exceptionally skilled in the nuances of

this business and enthusiastic about applying their demonstrated expertise to assure BJ's success as



we grow forward.



<i>Sites</i>	Greg Lynds
	Chief Development Officer

“OUR development strategy *is*
 TO BUILD *awareness of the* BRAND *through*
 HIGH Profile, HIGH Retail, HIGH Restaurant
 Volume SITES. WHEN WE’RE THERE, WE *can*
 COMPETE *with* ANYBODY!”

“What attracted me to the BJ’s concept was its ability to compete with any of the successful chains in the casual dining segment. I looked at a number of BJ’s current locations which varied in size and demographics served. I found that regardless of the market served, they enjoyed broad customer appeal, high volume and high energy. BJ’s was without a doubt, very compelling.

Upon joining the Company the first order of business was to communicate the uniqueness of the BJ’s Brand to developers and landlords. We immediately re-engineered the prototype exhibits to reflect the kind of superior value we bring to a site. We re-focused our real estate search and evaluation criteria to include additional expansion in our existing core markets. We are now in a position to leverage our choices based on a full development pipeline.

To keep pace with our real estate efforts we have streamlined site development and construction. Key strategic partnerships have been established to optimize purchasing, logistics and design, enabling us to develop our restaurants cost-effectively with efficiency and speed.”





▼ *BJ's Restaurant & Brewhouse, Addison, Texas*

▲ *Santa Fe Salad with Grilled Chicken*





▲ BJ's Restaurant & Brewhouse, Willowbrook, Texas





“ I had known for years of BJ's as small pizza places with a signature pizza product that was as good as any I had ever tasted. I was blown away by how the concept had grown – beautiful facilities, a diverse menu, guests tuned-in to the value and quality– it was the perfect fit for a fresh culinary focus.

I am driving that focus in a number of ways. First, we are taking the “WOW” factor–the value proposition– to a higher level with new food presentations that far out-pace our guests' expectations and check average.

Secondly, we are introducing creative new items to surprise our guests and encourage them to explore the menu and its diversity.

Finally, since innovation can often challenge manageability, we are assessing our kitchen design for

“OUR GUESTS *are already passionate about* OUR FOOD. ADD A DASH OF *innovative culinary focus* that “WOWS” their TASTES, *stir* their CURIOSITY *with flavor* and *appeal* – WE just can't BE BEAT.



<i>Food</i>	Ray Martin
	<i>Director of Culinary Development</i>

greater efficiencies and flexibility. We are leveraging our already high quality ingredients with an eye towards realizing their fullest potential. And we are supporting the kitchen staff with intense training designed to assure knowledge, confidence, and consistency of execution.

BJ's is already 'museum quality'. I'm adding some new material to keep the show a hit”



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“ My very first impression of BJ’s was as a guest at the Irvine restaurant and I was immediately attracted to the simplicity of the concept. Food and service were great and the feeling was warm, friendly. You could tell these people had values and appreciated you as a guest. Other companies seem to struggle with the mechanics, but BJ’s had it down. Plus, they made me feel important.



▲ BJ's Restaurant & Brewhouse, Cerritos, California



<i>People</i>	Nanette McWhertor
	Director of Training & Development

“THROUGHOUT *our development programs* our managers are IMMERSED *in our CORE VALUES and our CULTURE.* We teach them that THE KEY *is making SMART BUSINESS, FINANCIAL and PEOPLE DECISIONS.*”

Now, we are creating materials and programs that will assure consistency across the board and allow the concept to travel. It is a constant process of fine tuning. We are really trying to innovate by training people how to teach and coach, especially when it comes to understanding and reinforcing our core values.

A really exciting direction we are taking – and one that fits perfectly with our culture – is to nurture a kind of natural sense of hospitality. Getting people to a real confidence level where they can be themselves, have fun and be genuine with the guest. As we constantly preach – make them say ‘Wow. I love this place!’

It doesn't get any simpler than that.”

▼ Baby Back Pork Ribs



▼ Chicken Wings





“AT BJ’S *we all know* the importance OF *teamwork*.
put together THE RIGHT TEAM, Encourage
 CREATIVITY, reward PRODUCTIVITY *and*
 there is no end *to the* great results
 WE *can achieve!*”

<i>Team</i>	Mike Nahkunst
	Chief Operating Officer

“Exciting best describes my first visit to a BJ’s Restaurant. As a restaurateur, I could see the concept had legs and it could travel nationally. As a people person, I felt a sense of family, BJ’s had heart and soul. Everywhere I looked there were smiles, on guests and staff alike. I knew I was joining a company with spectacular growth potential.

Coming aboard I found an entrepreneurial organization with a unique team of creative, intelligent people. To establish a unified vision and understanding of where we needed to go, we took steps to clearly define and communicate our strategic objectives.

To make sure we get there, we have implemented management development practices to position the right people in the right job doing the right thing. And we are continually improving both individual and team performances with across-the-board process management tools and exercises designed to optimize every aspect of our business.

I believe the Company has deep leadership capabilities able to execute effectively and efficiently, unrelenting in our focus on operational improvements. We are passionate about quality and we encourage innovative, imaginative thinking at all levels.”



▼ Sesame Chicken Salad





C O R P O R A T E  I N F O R M A T I O N

BOARD OF DIRECTORS

Paul A. Motenko

*Chairman of the Board,
Co-Chief Executive Officer,
Vice President and Secretary
Chicago Pizza & Brewery, Inc.*

Jeremiah J. Hennessy

*Co-Chief Executive Officer,
President
Chicago Pizza & Brewery, Inc.*

Louis M. Mucci

*Chief Financial Officer,
Chicago Pizza & Brewery, Inc.*

Larry D. Bouts

*Investor/Business Advisor,
Former Chairman & Chief Executive Officer
Six Flags Theme Parks*

Shann M. Brassfield

President, Golden Resorts, Inc.

James A. Dal Pozzo

President, The Jacmar Companies

John F. Grundhofer

Chairman Emeritus U.S. Bancorp

J. Roger King

*Retired; Former Senior Vice President,
Human Resources at PepsiCo, Inc.*

Steven C. Leonard

*Investment Advisor for
Pacifica Capital Investments, LLC*

MANAGEMENT

Paul A. Motenko

*Co-Chief Executive Officer,
Vice President and Secretary*

Jeremiah J. Hennessy

*Co-Chief Executive Officer,
President*

Michael A. Nahkunst

Chief Operating Officer

Louis M. Mucci

Chief Financial Officer

R. Dean Gerrie

Chief Brand Officer

Gregory S. Lynds

Chief Development Officer

J. William Streitberger

Chief Human Resources Officer

Alexander M. Puchner

Senior Vice President, Brewing Operations

Salvador A. Navarro

Senior Vice President, Food and Beverage

Robert D. Curran

Vice President, Investor Relations

Robert B. DeLiema

*Vice President,
Marketing and Communications*

Lon F. Ledwith

Vice President, Operations

Robert P. Lombardo

*Vice President,
Development and Construction*

CORPORATE DATA

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Investor Relations

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prospective investors should be directed to:*

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Common Stock

*The Company's common stock is traded on
NASDAQ under the symbol "CHGO".*

Registrar and Transfer Agent

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Legal Counsel

*Jeffer, Mangels, Butler, & Marmaro, LLP
Los Angeles, California*

Independent Accountants

*Ernst & Young LLP
Irvine, California*

Statements contained herein that are not historical facts are forward looking statements. Important factors which could cause the Company's actual results to differ materially from those projected in, or inferred by, forward looking statements are (but are not necessarily limited to) the following: (i) the Company's ability to manage growth and conversions, (ii) construction delays and other unforeseen events which increase the cost to develop and convert restaurants and/or delay the development and opening of new restaurants, (iii) marketing and other limitations as a result of the Company's historic concentration in Southern California and Oregon, (iv) the impact of increasing competition in the moderately priced, casual dining segment of the restaurant industry, as well as significantly increasing competition in the brewery industry, (v) impact of certain brewery business considerations, including without limitation, dependence upon suppliers and related hazards, (vi) increase in food costs, energy costs and wages, including without limitation the increase in minimum wage, (vii) changes in general economic conditions which impact consumer spending for restaurant occasions, (viii) consumer trends, (ix) potential uninsured losses and liabilities, (x) trademark and servicemark risks, and (xi) other general economic and regulatory conditions and requirements.

CHICAGO PIZZA & BREWERY, INC.



CORPORATE OFFICES

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