UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 27, 2002

Commission File Number 1-10275

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	75-1914582
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6820 LBJ FREEWAY, DALLAS, TEXAS 75240
(Address of principal executive offices)
(Zip Code)

(972) 980-9917
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Number of shares of common stock of registrant outstanding at March 27, 2002: 98,018,537

BRINKER INTERNATIONAL, INC.

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

BRINKER INTERNATIONAL, INC.
Consolidated Balance Sheets
(In thousands, except per share amounts)

	March 27, 2002 (Unaudited)	June 27, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 23,127	$ 13,312
Accounts receivable	23,205	31,438
Inventories	25,297	27,351
Prepaid expenses and other	61,752	57,809
Deferred income taxes	12,115	7,295
Total current assets	145,496	137,205
Property and Equipment, at Cost:		
Land	247,000	201,013
Buildings and leasehold improvements	1,044,495	898,133
Furniture and equipment	605,131	478,847
Construction-in-progress	79,420	70,051
	1,976,046	1,648,044
Less accumulated depreciation and amortization	(647,849)	(563,320)
Net property and equipment	1,328,197	1,084,724
Other Assets:		
Goodwill, net	193,899	138,127
Other	97,346	82,245
Total other assets	291,245	220,372
Total assets	$1,764,938	$1,442,301
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 16,451	$ 17,635
Accounts payable	110,865	89,436
Accrued liabilities	164,710	134,420
Total current liabilities	292,026	241,491
Long-term debt, less current installments	464,969	236,060
Deferred income taxes	17,901	12,502
Other liabilities	52,601	51,961
Shareholders' Equity:		
Common stock - 250,000,000 authorized shares; $0.10 par value; 117,500,054 shares issued and 98,018,537 shares outstanding at March 27, 2002, and 117,501,080 shares issued and 99,509,455 shares outstanding at June 27, 2001	11,750	11,750
Additional paid-in capital	311,510	314,867
Retained earnings	910,428	801,988
	1,233,688	1,128,605
Less:		
Treasury stock, at cost (19,481,517 shares at March 27, 2002 and 17,991,625 shares at June 27, 2001)	(293,969)	(225,334)
Accumulated other comprehensive loss	-	(895)
Unearned compensation	(2,278)	(2,089)
Total shareholders' equity	937,441	900,287
Total liabilities and shareholders' equity	$1,764,938	$1,442,301

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Consolidated Statements of Income
(In thousands, except per share amounts)
(Unaudited)

	Thirteen-Week Periods Ended		Thirty-Nine Week Periods Ended	
	March 27, 2002	March 28, 2001	March 27, 2002	March 28, 2001
Revenues	$ 767,428	$ 626,007	$ 2,162,657	$ 1,798,553
Operating Costs and Expenses:				
Cost of sales	207,871	167,604	584,529	480,435
Restaurant expenses	439,049	348,814	1,219,952	998,256
Depreciation and amortization	34,273	25,405	92,610	73,157
General and administrative	29,586	28,193	87,833	82,102
Total operating costs and expenses	710,779	570,016	1,984,924	1,633,950
Operating income	56,649	55,991	177,733	164,603
Interest expense	4,034	1,906	10,655	5,580
Other, net	998	284	1,806	1,197
Income before provision for income taxes	51,617	53,801	165,272	157,826
Provision for income taxes	17,447	18,938	56,832	55,555
Net income	$ 34,170	$ 34,863	$ 108,440	$ 102,271
Basic net income per share	$ 0.35	$ 0.35	$ 1.11	$ 1.03
Diluted net income per share	$ 0.34	$ 0.34	$ 1.08	$ 1.00
Basic weighted average shares outstanding	97,694	99,450	97,924	98,868
Diluted weighted average shares outstanding	100,652	102,498	100,588	101,927

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Thirty-Nine Week Periods Ended	
	March 27, 2002	March 28, 2001
Cash Flows from Operating Activities:		
Net income	$ 108,440	$ 102,271
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	92,610	73,157
Amortization of deferred costs	5,311	1,227
Deferred income taxes	7,672	7,498
Loss on sale of affiliate	-	387
Changes in assets and liabilities, excluding effects of acquisitions:		
Receivables	5,697	(4,529)
Inventories	2,756	(2,815)
Prepaid expenses	(591)	1,210
Other assets	3,171	(6,101)

Accounts payable	22,093	4,434
Accrued liabilities	27,231	10,585
Other liabilities	640	6,224
Net cash provided by operating activities	275,030	193,548
Cash Flows from Investing Activities:		
Payments for property and equipment	(304,303)	(168,073)
Payments for purchases of restaurants	(60,491)	-
Payment for purchase of affiliate, net	-	(29,560)
Proceeds from sale of affiliate	4,000	1,000
Investment in equity method investees	(12,322)	(3,443)
Net (payments from) advances to affiliates	(675)	975
Net cash used in investing activities	(373,791)	(199,101)
Cash Flows from Financing Activities:		
Net (payments) borrowings on credit facilities	(61,240)	21,830
Net proceeds from issuance of debt	244,243	-
Proceeds from issuances of treasury stock	33,459	30,595
Purchases of treasury stock	(107,886)	(44,134)
Net cash provided by financing activities	108,576	8,291
Net change in cash and cash equivalents	9,815	2,738
Cash and cash equivalents at beginning of year	13,312	12,343
Cash and cash equivalents at end of year	$ 23,127	$ 15,081

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

The consolidated financial statements of Brinker International, Inc. and its wholly-owned subsidiaries (collectively, the "Company") as of March 27, 2002 and June 27, 2001 and for the thirteen-week and thirty-nine week periods ended March 27, 2002 and March 28, 2001, respectively, have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The Company owns, operates, or franchises various restaurant concepts under the names of Chili's Grill & Bar ("Chili's"), Romano's Macaroni Grill ("Macaroni Grill"), On The Border Mexican Grill & Cantina ("On The Border"), Maggiano's Little Italy ("Maggiano's"), Cozymel's Coastal Mexican Grill ("Cozymel's"), Maggiano's Little Italy ("Maggiano's"), Corner Bakery Cafe ("Corner Bakery"), and Big Bowl. In addition, the Company is involved in the ownership and has been involved in the development of the Eatzi's Market and Bakery ("Eatzi's") concept and owns an approximately 40% interest in the legal entities owning and developing Rockfish Seafood Grill ("Rockfish").

The information furnished herein reflects all adjustments (consisting only of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly state the operating results for the respective periods. However, these operating results are not necessarily indicative of the results expected for the full fiscal year. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to SEC rules and regulations. The notes to the consolidated financial statements (unaudited) should be read in conjunction with the notes to the consolidated financial statements contained in the June 27, 2001 Form 10-K. Company management believes that the disclosures are sufficient for interim financial reporting purposes.

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform with fiscal 2002 classifications. These reclassifications have no effect on the Company's net income or financial position as previously reported.

2. Business Combinations

In June 2001, the Company acquired from its franchise partner, Hal Smith Restaurant Group ("Hal Smith"), three On The Border restaurants for approximately $6.6 million. Goodwill of approximately $2.9 million was recorded in connection with the acquisition. The operations of the restaurants are included in the Company's consolidated results of operations from the date of the acquisition. The results of operations on a pro forma basis are not presented separately as the results do not differ significantly from historical amounts reported herein.

In November 2001, the Company acquired from its franchise partner, Sydran Group, LLC, and Sydran Food Services III, L.P. (collectively, "Sydran") 39 Chili's restaurants for approximately $53.9 million. As part of the acquisition, the Company assumed $35.5 million in capital lease obligations ($19.9 million principal plus $15.6 million representing a debt premium) and recorded goodwill totaling approximately $52.5 million. The operations of the restaurants are included in the Company's consolidated results of operations from the date of the acquisition. The results of operations on a pro forma basis are not presented separately as the results do not differ significantly from historical amounts reported herein.

3. Investment in Unconsolidated Entities

Effective July 12, 2001, the Company formed a partnership with Rockfish, a privately held Dallas-based restaurant company with ten locations currently in operation. The Company made a $12.3 million capital contribution to Rockfish in exchange for an approximate 40% ownership interest in the legal entities owning and developing the restaurant concept.

4. Goodwill and Other Intangibles

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" effective June 28, 2001. SFAS No. 142 eliminates the amortization for goodwill and other intangible assets with indefinite lives. Intangible assets with lives restricted by contractual, legal, or other means will continue to be amortized over their useful lives. Goodwill and other intangible assets not subject to amortization are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. SFAS No. 142 requires a two-step process for testing impairment. First, the fair value of each reporting unit is compared to its carrying value to determine whether an indication of impairment exists. If an impairment is indicated, then the fair value of the reporting unit's goodwill is determined by allocating the unit's fair value to its assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. The amount of impairment for goodwill and other intangible assets is measured as the excess of its carrying value over its fair value. No such impairment losses were recorded upon the initial adoption of SFAS 142.

Intangible assets subject to amortization under SFAS No. 142 consist primarily of intellectual property rights. Amortization expense is calculated using the straight-line method over their estimated useful lives of 15 to 25 years. Intangible assets not subject to amortization consist primarily of reacquired development rights.

The gross carrying amount of intellectual property rights subject to amortization totaled $6.4 million at March 27, 2002 and June 27, 2001. Accumulated amortization related to these intangible assets totaled approximately $1.2 million and $960,000 at March 27, 2002 and June 27, 2001, respectively. The carrying amount of reacquired development rights not subject to amortization totaled $4.4 million at March 27, 2002 and June 27, 2001.

The changes in the carrying amount of goodwill for the thirty-nine week period ended March 27, 2002 are as follows (in thousands):

Balance, June 27, 2001	$ 138,127
Goodwill arising from acquisitions	55,473
Other adjustments	299
Balance, March 27, 2002	$ 193,899

The pro forma effects of the adoption of SFAS No. 142 on net income is as follows (in thousands, net of taxes):

	13-Week Periods Ended		39-Week Periods Ended	
	Mar. 27, 2002	Mar. 28, 2001	Mar. 27, 2001	Mar. 28, 2002

Net income, as reported	$ 34,170	$ 34,863	$ 108,440	$ 102,271
Intangible amortization	-	620	-	1,535
Net income, pro forma	$ 34,170	$ 35,483	$ 108,440	$ 103,806

The pro forma effects of the adoption of SFAS No. 142 on basic and diluted earnings per share is as follows:

	13-Week Periods Ended		39-Week Periods Ended	
	Mar. 27, 2002	Mar. 28, 2001	Mar. 27, 2001	Mar. 28, 2002
Basic net income per share, as reported	$ 0.35	$ 0.35	$ 1.11	$ 1.03
Basic net income per share, pro forma	0.35	0.36	1.11	1.05
Diluted net income per share, as reported	$ 0.34	$ 0.34	$ 1.08	$ 1.00
Diluted net income per share, pro forma	0.34	0.35	1.08	1.02

5. Debt

In October 2001, the Company issued $431.7 million of zero coupon convertible senior debentures ("Debentures"), maturing on October 10, 2021, and received proceeds totaling approximately $250.0 million prior to debt issuance costs. The Debentures require no interest payments and were issued at a discount representing a yield to maturity of 2.75% per annum. The Debentures are redeemable at the Company's option on October 10, 2004, and the holders of the Debentures may require the Company to redeem the Debentures on October 10, 2003, 2005, 2011 or 2016, and in certain other circumstances. In addition, each Debenture is convertible into 18.08 shares of the Company's common stock if the stock's market price exceeds 120% of the carrying value of the Debentures at specified dates, the credit rating of the Debentures is reduced below certain levels, the Company exercises its option to redeem the Debentures or upon the occurrence of certain specified corporate transactions.

6. Leases

In fiscal 1998 and 2000, the Company entered into equipment leasing facilities totaling $55.0 million and $25.0 million, respectively. The leasing facilities were accounted for as operating leases and had expiration dates of 2004 and 2006, respectively. The Company guaranteed a residual value of approximately 87% of the total amount funded under the leases. The Company had the option to purchase all of the leased equipment for an amount equal to the unamortized lease balance, which could not exceed 75% of the total amount funded through the leases. In February 2002, the Company acquired the remaining assets leased under the equipment leasing facilities for $36.2 million and terminated the lease arrangements.

In fiscal 2000, the Company entered into a $50.0 million real estate leasing facility. During fiscal 2001, the Company increased the facility to $75.0 million. The real estate facility was accounted for as an operating lease and was to expire in fiscal 2007. The Company guaranteed a residual value of approximately 87% of the total amount funded under the lease. The Company had the option to purchase all of the leased real estate for an amount equal to the unamortized lease balance. In February 2002, the Company acquired the remaining assets leased under the real estate leasing facility for $56.8 million and terminated the lease arrangement.

7. Derivative Financial Instruments and Hedging Activities

The Company entered into three additional interest rate swaps in December 2001the second quarter with a total notional value of $118.6 million at March 27, 2002. These fair value hedges change the fixed-rate interest component of the sale and leaseback of certain real estate properties entered into in November 1997 to variable-rate interest. Under the terms of the hedges (which expire in fiscal 2018), the Company pays monthly a variable rate based on LIBOR (1.88% at March 27, 2002) plus 1.26%. The Company receives monthly the fixed interest rate of 7.156% on the lease. The estimated fair value of these agreements at March 27, 2002 was a liability of approximately $1.4 million. The fair value hedges were fully effective during the thirty-nine week period ended March 27, 2002.

Accordingly, the change in fair value of the swaps was recorded in other liabilities.

8. Contingencies

During the third quarter of fiscal 2002, the Company recorded an approximate $11.0 million charge to restaurant expenses stemming from an agreement in principle reached with the California Department of Labor Standards Enforcement (the "DLSE") in April 2002. The DLSE's primary allegation involved the Company's documentation policies related to breaks provided to employees. The Company believes it has been in substantial compliance with the California lLabor lLaws related to employee breaks and other employee related matters, but was unable to document all issues to the DLSE's satisfaction. The Company agreed to the settlement to avoid a potentially costly and protracted litigation.

The Company is engaged in various other legal proceedings and has certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, management of the Company, based upon consultation with legal counsel, is of the opinion that there are no matters pending or threatened, other than those that previously mentioned, which are expected to have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial condition or results of operations.

9. Shareholders' Equity

In August 2001, the Board of Directors authorized an increase in the stock repurchase plan of an additional $100.0 million, bringing the Company's total share repurchase program to $310.0 million. Pursuant to the Company's stock repurchase plan, the Company repurchased approximately 4,193,000 shares of its common stock for $107.9 million during the first, second and third quarters of fiscal 2002, resulting in a cumulative repurchase total of approximately 15.2 million shares of its common stock for $299.4 million. The Company's stock repurchase plan is used by the Company to increase shareholder value, offset the dilutive effect of stock option exercises, satisfy obligations under its savings plans, and for other corporate purposes. The repurchased common stock is reflected as a reduction of shareholders' equity.

10. Supplemental Cash Flow Information

Cash paid for interest and income taxes is as follows (in thousands):

	Mar. 27, 2002	Mar. 28, 2001
Interest, net of amounts capitalized	$ 6,712	$ 4,694
Income taxes, net of refunds	49,462	56,464

Non-cash investing and financing activities are as follows (in thousands):

	Mar. 27, 2002	Mar. 28, 2001
Restricted common stock issued, net of forfeitures	$ 2,435	$ 800
Increase in fair value of interest rate swaps and debt	544	3,353
Decrease in fair value of forward rate agreements included in other comprehensive income	-	(951)
Decrease in fair value of interest rate swaps on real estate leasing facility	(1,370)	-

During the first and second quarters of fiscal 2002, the Company purchased certain assets and assumed certain liabilities in connection with the acquisitions of restaurants. The fair values of the assets acquired and liabilities assumed at the date of acquisition are as follows (in thousands):

Property, plant and equipment acquired	$ 36,312
Other assets acquired	8,585
Goodwill	55,473
Capital lease obligations assumed	(35,480)

Other liabilities assumed	(4,399)
Net cash paid	$ 60,491

11. Subsequent Event

In April 2002, the Company authorized an increase in the stock repurchase plan (described in Note 9) of an additional $100.0 million, bringing the Company's total share repurchase program to $410.0 million.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth selected operating data as a percentage of total revenues for the periods indicated. All information is derived from the accompanying consolidated statements of income.

	13-Week Periods Ended		39-Week Periods Ended	
	Mar. 27, 2002	Mar. 28, 2001	Mar. 27, 2002	Mar. 28, 2001
Revenues	100.0 %	100.0 %	100.0 %	100.0 %
Operating Costs and Expenses:				
Cost of sales	27.1 %	26.8 %	27.0 %	26.7 %
Restaurant expenses	57.2 %	55.7 %	56.4 %	55.5 %
Depreciation and amortization	4.5 %	4.1 %	4.3 %	4.1 %
General and administrative	3.9 %	4.5 %	4.1 %	4.6 %
Total operating costs and expenses	92.7 %	91.1 %	91.8 %	90.9 %
Operating income	7.3 %	8.9 %	8.2 %	9.1 %
Interest expense	0.5 %	0.3 %	0.5 %	0.3 %
Other, net	0.1 %	0.0 %	0.1 %	0.1 %
Income before provision for income taxes	6.7 %	8.6 %	7.6 %	8.7 %
Provision for income taxes	2.3 %	3.0 %	2.6 %	3.1 %
Net income	4.4 %	5.6 %	5.0 %	5.6 %

The following table details the number of restaurant openings during the third quarter and year-to-date and total restaurants open at the end of the third quarter.

	Third Quarter Openings		Year-to-Date Openings		Total Open at End Of Third Quarter	
	Fiscal 2002	Fiscal 2001	Fiscal 2002	Fiscal 2001	Fiscal 2002	Fiscal 2001
Chili's:						
Company-owned	16	9	41	22	618	487
Franchised	6	9	20	27	188	243
Total	22	18	61	49	806	730
Macaroni Grill:						
Company-owned	6	5	13	11	172	156
Franchised	-	-	-	2	6	6
Total	6	5	13	13	178	162
On The Border:						
Company-owned	4	4	7	9	108	91
Franchised	1	-	2	2	18	29
Total	5	4	9	11	126	120
Corner Bakery:						
Company-owned	3	1	9	3	70	58
Franchised	-	-	-	1	2	2
Total	3	1	9	4	72	60
Cozymel's	1	-	1	-	15	13
Maggiano's	1	-	4	1	18	13
Big Bowl	2	1	2	1	11	7

Rockfish	-	-	2	-	10	-
Eatzi's	-	-	-	-	4	4
Grand Total	40	29	101	79	1,240	1,109

REVENUES

Revenues for the third quarter of fiscal 2002 increased to $767.4 million, 22.6% over the $626.0 million generated for the same quarter of fiscal 2001. Revenues for the thirty-nine week period ended March 27, 2002 rose 20.2% to $2,162.7 million from the $1,798.6 million generated for the same period of fiscal 2001. The increases are primarily attributable to a net increase of 187 company-owned restaurants since March 28, 2001 and an increase in comparable store sales for the third quarter of fiscal 2002 compared to the same quarter of fiscal 2001. The Company increased its capacity (as measured in sales weeks) for the third quarter and year-to-date of fiscal 2002 by 22.2% and 19.7%, respectively, compared to the respective prior year periods. Comparable store sales increased 1.9% and 1.4% for the third quarter and year-to-date, respectively, from the same periods of fiscal 2001. Menu prices in the aggregate increased 1.8% in fiscal 2002 as compared to fiscal 2001.

COSTS AND EXPENSES (as a Percent of Revenues)

Cost of sales increased for the third quarter and year-to-date of fiscal 2002 as compared to the respective periods of fiscal 2001 due to product mix changes to menu items with higher percentage food costs, unfavorable commodity price variances for produce and dairy and cheese, and unfavorable purchase contracts for reacquired franchise restaurants, which were partially offset by menu price increases and favorable commodity price variances for seafood, meat and beverages.

Restaurant expenses increased for the third quarter and year-to-date of fiscal 2002 compared to the respective periods of fiscal 2001. The increases were primarily due to an approximate $11.0 million expense recorded in the third quarter related to the settlement of certain California lLabor lLaw issues. Also contributing to the increases were higher facility costs and preopening costs and the effects of reacquired franchise restaurants which have higher operating costs than an average company owned unit. These increases which were partially offset by increased sales leverage, improvements in labor productivity, and menu price increases year-over-year.

Depreciation and amortization increased for the third quarter and year-to-date of fiscal 2002 as compared to the respective periods of fiscal 2001. Depreciation and amortization increases resulted from new unit construction, ongoing remodel costs, the acquisition of previously leased equipment and real estate assets, and restaurants acquired during fiscal 20021 and 20012. These increases were partially offset by increased sales leverage, a declining depreciable asset base for older units, and the elimination of goodwill amortization in accordance with SFAS 142.

General and administrative expenses decreased for the third quarter and year-to-date of fiscal 2002 compared to the respective periods of fiscal 2001 as a result of the Company's continued focus on controlling corporate expenditures relative to increasing revenues and increased sales leverage resulting from new unit openings and acquisitions.

Interest expense increased for the third quarter and year-to-date of fiscal 2002 compared with the respective periods of fiscal 2001 as a result of amortization of debt issuance costs and debt discounts on the Company's $431.7 million convertible debt. These increases were partially offset by a decrease in interest expense on senior notes due to the scheduled repayment made in April 2001, repayments on the credit facilities, and an increase in interest capitalization related to new restaurant construction activity.

Other, net increased for the third quarter and remained flat for the first nine months of fiscal 2002 as compared to the respective periods of fiscal 2001 due to a decrease in the market value of the

Company's savings plan investments, partially offset by reduced equity losses related to the Company's share in equity method investees.

INCOME TAXES

The Company's effective income tax rate decreased to 33.8% from 35.2% for the third quarter of fiscal 2002 and to 34.4% from 35.2% year-to-date of fiscal 2002. The decrease is primarily due to the elimination of goodwill amortization in accordance with SFAS 142 and to a decrease in the effective state tax rates.

NET INCOME AND NET INCOME PER SHARE

Exclusive of the after tax settlement expense of $7.3 million recorded in the third quarter of fiscal 2002, net income increased for the third quarter and year-to-date of fiscal 2002 by 18.8% and 13.1%, respectively, compared to the same periods of fiscal 2001. Excluding the $11.0 million charge, diluted net income per share increased for the third quarter and year-to-date of fiscal 2002 by 20.9% and 15.0%, respectively, compared to the same periods of fiscal 2001. The increase in both net income and diluted net income per share was primarily due to increasing revenues driven by increases in sales weeks, comparable store sales, and menu prices and decreases in general and administrative expenses, partially offset by increases in cost of sales and restaurant expenses as a percent of revenues.

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit increased from $104.3 million at June 27, 2001 to $146.5 million at March 27, 2002. Net cash provided by operating activities increased to $275.0 million for the first nine months of fiscal 2002 from $193.5 million during the same period in fiscal 2001 due to increased profitability and the timing of operational receipts and payments. The Company believes that its various sources of capital, including availability under existing credit facilities and cash flow from operating activities, are adequate to finance operations as well as the repayment of current debt obligations.

Long-term debt outstanding at March 27, 2002 consisted of $253.2 million of zero coupon convertible debentures ($431.7 million principal less $178.5 million representing an unamortized debt discount), $60.5 million of unsecured senior notes ($57.1 million principal plus $3.4 million representing the effect of changes in interest rates on the fair value of the debt), $44.1 million in assumed debt related to the acquisition of restaurants from a former franchise partner ($39.3 million principal plus $4.8 million representing a debt premium), $35.2 million in assumed capital lease obligations related to the acquisition of restaurants from a former franchise partner ($19.6 million principal plus $15.6 million representing a debt premium), and other obligations under capital leases. The Company has credit facilities totaling $375.0 million. At March 27, 2002, the Company had $287.6 million in available funds from these facilities.

In October 2001, the Company issued $431.7 million of zero coupon convertible debentures and received proceeds totaling approximately $250.0 million. The Company used the proceeds for repayment of existing indebtedness, restaurant acquisitions, purchases of outstanding common stock under the Company's stock repurchase plan and for general corporate purposes.

On July 12, 2001, the Company made a $12.3 million capital contribution to Rockfish in exchange for an approximately 40% ownership interest in the legal entities owning and developing Rockfish. Additionally, in June and November 2001, the Company acquired three On the Border and 39 Chili's restaurants from its franchise partners Hal Smith and Sydran, respectively, for $60.5 million. The Company financed these acquisitions through existing credit facilities, the Debentures and cash provided by operations.

In February 2002, the Company acquired the remaining assets leased under its $80.0 million equipment leasing facilities and $75.0 million real estate leasing facility for $36.2 million and $56.8 million, respectively, and terminated the leasing arrangements. The acquisitions were primarily funded by utilizing amounts available under existing credit facilities.

Capital expenditures consist of purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, the acquisition of previously leased equipment and real estate assets, and ongoing remodeling programs. Capital expenditures were $304.3 million for the first nine months of fiscal 2002 compared to $168.1 million (net of amounts funded under the respective equipment and real estate leasing facilities), for the same period of fiscal 2001. The increase is due primarily to the acquisition of the remaining assets leased under the equipment and real estate leasing facilities and an increase in the number of new store openings. The Company estimates that its capital expenditures during the fourth quarter of fiscal 2002 will approximate $66.9 million. These capital expenditures will be funded entirely from operations and existing credit facilities.

The Board of Directors authorized an increase in the stock repurchase plan of $100.0 million in August 2001 and an additional $100.0 million in April 2002, bringing the Company's total share repurchase program to $410.0 million. Pursuant to the Company's stock repurchase plan, approximately 4,193,000 shares of its common stock were repurchased for $107.9 million during the first three quarters, second and third quarters of fiscal 2002. As of March 27, 2002, approximately 15.2 million shares had been repurchased for $299.4 million under the stock repurchase plan. The Company repurchases common stock to increase shareholder value, offset the dilutive effect of stock option exercises, satisfy obligations under its savings plans, and for other corporate purposes. The repurchased common stock is reflected as a reduction of shareholders' equity. The Company financed the repurchase program through a combination of cash provided by operations, drawdowns on its available credit facilities and the issuance of the Debentures.

The Company is not aware of any other event or trend which would potentially affect its liquidity. In the event such a trend develops, the Company believes that there are sufficient funds available under its lines of credit and from its strong internal cash generating capabilities to adequately manage the expansion of business.

RECENT ACCOUNTING PRONOUNCEMENTS

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30 "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". SFAS No. 144 retains the fundamental provisions of SFAS No. 121, but eliminates the requirement to allocate goodwill to long-lived assets to be tested for impairment. This statement also requires discontinued operations to be carried at the lower of cost or fair value less costs to sell and broadens the presentation of discontinued operations to include a component of an entity rather than a segment of a business. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The Company does not expect the adoption of this statement to have a material impact on its results of operations or financial position.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the quantitative and qualitative market risks of the Company since the prior reporting period.

FORWARD-LOOKING STATEMENTS

The Company wishes to caution readers that the following important factors, among others, could cause the actual results of the Company to differ materially from those indicated by forward-looking statements made in this report and from time to time in news releases, reports, proxy statements, registration statements and other written communications, as well as oral forward-looking statements made from time to time by representatives of the Company. Such forward-looking statements involve risks and uncertainties that may cause the Company's or the restaurant industry's actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Factors that might cause actual events or results to differ materially from those indicated by these forward-looking statements may include matters such as future economic performance, restaurant openings, operating margins, the availability of acceptable real estate locations for new restaurants, the sufficiency of the Company's cash balances and cash generated from operating and financing activities for the Company's future liquidity and capital resource needs, and other matters, and are generally accompanied by words such as "believes," "anticipates," "estimates," "predicts," "expects" and similar expressions that convey the uncertainty of future events or outcomes. An expanded discussion of some of these risk factors follows.

Competition may adversely affect the Company's operations and financial results.

The restaurant business is highly competitive with respect to price, service, restaurant location and food quality, and is often affected by changes in consumer tastes, economic conditions, population and traffic patterns. The Company competes within each market with locally-owned restaurants as well as national and regional restaurant chains, some of which operate more restaurants and have greater financial resources and longer operating histories than the Company. There is active competition for management personnel and for attractive commercial real estate sites suitable for restaurants. In addition, factors such as inflation, increased food, labor and benefits costs, and difficulty in attracting hourly employees may adversely affect the restaurant industry in general and the Company's restaurants in particular.

The Company's sales volumes generally decrease in winter months.

The Company's sales volumes fluctuate seasonally, and are generally higher in the summer months and lower in the winter months, which may cause seasonal fluctuations in the Company's operating results.

Changes in governmental regulation may adversely affect the Company's ability to open new restaurants and the Company's existing and future operations.

Each of the Company's restaurants is subject to licensing and regulation by alcoholic beverage control, health, sanitation, safety and fire agencies in the state and/or municipality in which the restaurant is located. The Company has not encountered any difficulties or failures in obtaining the required licenses or approvals that could delay or prevent the opening of a new restaurant and although the Company does not, at this time, anticipate any occurring in the future, there can be no assurance that the Company will not experience material difficulties or failures that could delay the opening of restaurants in the future.

The Company is subject to federal and state environmental regulations, and although these have not had a material negative effect on the Company's operations, there can be no assurance that there will not be a material negative effect in the future. More stringent and varied requirements of local and state governmental bodies with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations. The Company is subject to the Fair Labor Standards Act, which governs such matters as minimum wages, overtime and other working conditions, along with the Americans With Disabilities Act, and various family leave mandates and a variety of other laws enacted by the states that govern these and other employment law matters. Although the Company expects increases in payroll expenses as a result of federal and state mandated increases in the minimum wage, and although such increases are not expected to be material, there can be no assurance that there will not be material increases in the future. However, the Company's vendors may be affected by higher minimum wage standards, which may result in increases in the price of goods and services supplied to the Company.

Inflation may increase the Company's operating expenses.

The Company has not experienced a significant overall impact from inflation. As operating expenses increase, the Company, to the extent permitted by competition, recovers increased costs by increasing menu prices, by reviewing, then implementing, alternative products or processes, or by implementing other cost-reduction procedures. There can be no assurance, however, that the Company will be able to continue to recover increases in operating expenses due to inflation in this manner.

Increased energy costs may adversely affect the Company's profitability.

The Company's success depends in part on its ability to absorb increases in utility costs. Various regions of the United States in which the Company operates multiple restaurants, particularly California, experienced significant increases in utility prices during the 2001 fiscal year. If these increases should recur, they will have an adverse effect on the Company's profitability.

If the Company is unable to meet its growth plan, the Company's profitability in the future may be adversely affected.

The Company's ability to meet its growth plan is dependent upon, among other things, its ability to identify available, suitable and economically viable locations for new restaurants, obtain all required governmental permits (including zoning approvals and liquor licenses) on a timely basis, hire all necessary contractors and subcontractors, and meet construction schedules. The costs related to restaurant and concept development include purchases and leases of land, buildings and equipment and facility and equipment maintenance, repair and replacement. The labor and materials costs involved vary geographically and are subject to general price increases. As a result, future capital expenditure costs of restaurant development may increase, reducing profitability. There can be no assurance that the Company will be able to expand its capacity in accordance with its growth objectives or that the new restaurants and concepts opened or acquired will be profitable.

Unfavorable publicity relating to one or more of the Company's restaurants in a particular brand can taint public perception of the brand.

Multi-unit restaurant businesses can be adversely affected by publicity resulting from poor food quality, illness or other health concerns or operating issues stemming from one or a limited number of restaurants. In particular, since the Company depends heavily on the "Chili's" brand for a majority of its revenues, unfavorable publicity relating to one or more Chili's restaurants could have a material adverse effect on the Company's business, results of operations and financial condition.

Other risk factors may adversely affect the Company's financial performance.

Other risk factors that could cause the Company's actual results to differ materially from those indicated in the forward-looking statements include, without limitation, changes in economic conditions, consumer perceptions of food safety, changes in consumer tastes, governmental monetary policies, changes in demographic trends, availability of employees, terrorist acts, and weather and other acts of God.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

During the third quarter of fiscal 2002, the Company recorded an approximate $11.0 million charge to restaurant expense stemming from an agreement in principle reached with the California Department of Labor Standards Enforcement (the "DLSE") in April 2002. The DLSE's primary allegation involved the Company's documentation policies related to breaks provided to employees. The Company believes it has been in substantial compliance with the California Labor Laws related to employee breaks and other employee related matters, but was unable to document all issues to the DLSE's satisfaction. The Company agreed to the settlement to avoid a potentially costly and protracted litigation.

The Company is engaged in various other legal proceedings and has certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, management of the Company, based upon consultation with legal counsel, is of the opinion that there are no matters pending or threatened, other than thathose previously mentioned, which are expected to have a material adverse effect, individually or in the aggregate, on the Company's consolidated financial condition or results of operations.

Item 6. Exhibits and Reports on FORM 8-K
(a) Exhibits

4. Instruments Defining the Rights of Security Holders, Including Debentures.

Indenture, dated as of October 10, 2001, between the Company and SunTrust Bank, as Trustee, was filed as an exhibit to the quarterly report on Form 10-Q for the period ended September 26, 2001 and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BRINKER INTERNATIONAL, INC.

Date: May 8, 2002 By:___ /s/_____________________________________
Ronald A. McDougall, Chairman and
Chief Executive Officer

Date: May 8, 2002 By:____/s/_____________________________________
Charles M. Sonsteby,
Executive Vice President and Chief Financial
Officer (Principal Financial and Accounting
Officer)