SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 24, 1998 Commission File No. 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)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Common Stock, $0.10 par value
Stock Purchase Rights

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ___

The aggregate market value of the voting stock held by persons other than directors and officers of registrant (who might be deemed to be affiliates of registrant) at September 1, 1998 was $1,149,450,489.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at September 1, 1998
Common Stock, $0.10 par value	65,859,510 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report to Shareholders for the fiscal year ended June 24, 1998 are incorporated by reference into Parts I, II and IV hereof, to the extent indicated herein. Portions of the registrant's Proxy Statement dated September 18, 1998, for its annual meeting of shareholders on October 29, 1998, are incorporated by reference into Part III hereof, to the extent indicated herein.

PART I

Item 1. BUSINESS.

General

Brinker International, Inc. (the "Company") is principally engaged in the operation, development and

franchising of the Chili's Grill & Bar ("Chili's"), Romano's Macaroni Grill ("Macaroni Grill"), On The Border Mexican Cafe ("On The Border"), Cozymel's Coastal Mexican Grill ("Cozymel's"), Maggiano's Little Italy ("Maggiano's"), and the Corner Bakery ("Corner Bakery") restaurant concepts. In addition, the Company is involved in the operation and development of the Eatzi's Market and Bakery ("Eatzi's"), Big Bowl ("Big Bowl"), and Wildfire ("Wildfire") concepts. The Company was organized under the laws of the State of Delaware in September 1983 to succeed to the business operated by Chili's, Inc., a Texas corporation, organized in August 1977. The Company completed the acquisitions of Macaroni Grill, On The Border, Cozymel's, Maggiano's, and Corner Bakery in November 1989, May 1994, July 1995, August 1995, and August 1995, respectively.

Restaurant Concepts and Menus

Chili's Grill & Bar

Chili's is a full-service Southwestern-themed restaurant, featuring a casual atmosphere and a varied menu of chicken, beef and seafood entrees, steaks, hamburgers, ribs, fajitas, sandwiches, salads, appetizers and desserts, all of which are prepared fresh daily according to special Chili's recipes.

Chili's restaurants feature quick, efficient and friendly table service designed to minimize customer waiting time and facilitate table turnover, with an average turnover time per table of approximately 45 minutes. Service personnel are dressed casually in jeans, knit shirts and aprons to reinforce the casual, informal environment. The decor of a Chili's restaurant consists of booth seating, tile-top tables, hanging plants and wood and brick walls covered with interesting memorabilia.

Emphasis is placed on serving substantial portions of fresh, high quality food at modest prices. Entree selections range in menu price from $4.99 to $12.99, with the average revenue per meal, including alcoholic beverages, approximating $9.87 per person. A full-service bar is available at each Chili's restaurant, with frozen margaritas offered as the concept's specialty drink. During the year ended June 24, 1998, food and non-alcoholic beverage sales constituted approximately 86.7% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 13.3%.

Romano's Macaroni Grill

Macaroni Grill is a casual, country-style Italian restaurant which specializes in family-style recipes and features seafood, meat, chicken, pasta, salads, pizza, appetizers and desserts with a full-service bar in most restaurants. Exhibition cooking, pizza ovens and rotisseries provide an enthusiastic and exciting environment in the restaurants. Macaroni Grill restaurants also feature white linen-clothed tables, fireplaces, sous stations and prominent displays of wines. Service personnel are dressed in white, starched shirts and aprons, dark slacks, and bright ties.

Entree selections range in menu price from $5.29 to $16.99 with certain specialty items priced on a daily basis. The average revenue per meal, including alcoholic beverages, is approximately $13.65 per person. During the year ended June 24, 1998, food and non-alcoholic beverage sales constituted approximately 85.6% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 14.4%.

On The Border Mexican Cafe

On The Border restaurants are full-service, casual Tex-Mex theme restaurants featuring mesquite-grilled specialties and traditional Tex-Mex entrees and appetizers served in generous portions at modest prices. On The Border restaurants feature an outdoor patio, a full-

service bar, booth and table seating and brick and wood walls with a Southwest decor. On The Border restaurants also offer enthusiastic table service intended to minimize customer waiting time and facilitate table turnover while simultaneously providing customers with a satisfying casual dining experience.

Entree selections range in menu price from $5.55 to $12.99, with the average revenue per meal, including alcoholic beverages, approximating $11.36 per person. During the year ended June 24, 1998, food and non-alcoholic beverage sales constituted approximately 78.3% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 21.7%.

Cozymel's Coastal Mexican Grill

Cozymel's restaurants are casual, upscale authentic Yucatan restaurants featuring fish, chicken, beef and pork entrees, appetizers, desserts and a full-service bar featuring a wide variety of specialty frozen beverages. Cozymel's restaurants offer an authentic "Yucatan vacation" atmosphere, which includes an outdoor patio.

Entree selections range in menu price from $5.49 to $12.99 with the average revenue per meal, including alcoholic beverages, approximating $13.36 per person. During the year ended June 24, 1998, food and non-alcoholic beverage sales constituted approximately 74.8% of the concept's total restaurant revenues, with alcoholic beverages accounting for the remaining 25.2%.

Maggiano's Little Italy

Maggiano's restaurants are designed as classic re-creations of a New York City pre-war "Little Italy" dinner house. Each of the Maggiano's restaurants is a casual, full-service Italian restaurant with a full lunch and dinner menu, a family-style menu, and banquet facilities, offering southern Italian appetizers, homemade bread, large portions of pasta, chicken, seafood, veal and steak, and a full range of alcoholic beverages. Entree selections range in menu price from $6.95 to $29.95, with the average revenue per meal, including alcoholic beverages, approximating $23.23 per person. During the year ended June 24, 1998, food and non-alcoholic beverage sales constituted approximately 79.3% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 20.7%.

Corner Bakery

The Corner Bakery is designed as a retail bakery in the traditional, Old World bread bakery style. The Corner Bakery offers handmade hearth-baked loaves, rolls, muffins, brownies, cookies and specialty items all of which are created fresh daily by artisan bakers. The breads offered by the Corner Bakery include baguettes, crusty country breads, country and specialty breads such as raisin-pecan, Kalamata olive, chocolate sour-cherry, cranberry-orange, multi-grain harvest, and ryes. In addition, the Corner Bakery also offers pizza, sandwiches, soups and salads.

While retaining an atmosphere of a working Old World bakery, the Corner Bakery exemplifies casual elegance, with most bakeries having both indoor and outdoor seating. In addition to breads, breakfast and dessert sweets, featured in the restaurants are chef-prepared fresh salads, soups, sandwiches and pizzas. New savory foods, breads and sweets are created seasonally to take advantage of the highest quality ingredients available. The Corner Bakery's catering group offers a wide range of gift baskets, trays and lunch boxes for any scale from large corporate events to a small, personal brunch or catered dinner. Prices for menu items range from $1.00 to $7.95 with the average revenue per meal, including alcoholic beverages, approximating $7.07 per person. During the year ended June 24, 1998, food and non-alcoholic beverage sales constituted approximately 99.9% of the concept's total restaurant revenues, with alcoholic beverages

accounting for the remaining .1%.

Eatzi's Market and Bakery

Eatzi's is a home meal replacement retail store which offers customers almost everything in the meal spectrum, from fresh produce and raw meats and seafood to high-quality, chef-prepared meals-to-go. Eatzi's also provides a tremendous variety of "made from scratch" breads and pastries along with dry groceries, deli meats and cheeses, made-to-order salads and sandwiches, and fresh cut flowers. Large selections of non-alcoholic beverages, wine, and "create your own six-pack" beer are available to complete the meal.

Eatzi's features an abundance of fresh, high-quality meals, openly presented in distinctive areas, replicating an energetic European marketplace with an exhibition kitchen and bakery. The circular chef's display case is the focal point of the store designed to channel customer traffic around to other departments. There is limited indoor and outdoor seating since the emphasis is on take-out purchases. The chefs are professionally dressed in white chef's coats and hats with black and white houndstooth pants. Retail service personnel wear black pants, white, banded collar shirts and green aprons.

Emphasis is placed on restaurant-quality cuisine, prepared fresh daily by highly skilled and culinary-trained chefs using Eatzi's unique recipes. Certain designated menu items are rotated periodically to provide variety and to augment the core menu. Corporate chefs are constantly developing and testing new recipes to ensure high-quality and ample variety in addition to keeping ahead of the customer's changing taste profiles. Individual meal selections range in price from $3.99 to $10.99 with the average revenue per purchase, including alcoholic beverages, approximating $15.00. During the year ended June 24, 1998, food and non-alcoholic beverage sales constituted 94.7% of the concept's total revenues, with alcoholic beverages accounting for the remaining 5.3%.

Big Bowl

Big Bowl features contemporary Asian cuisine prepared with fresh ingredients in a casual, vibrant atmosphere. Big Bowl is distinguished by its authentic, full-flavored menu that features five kinds of fresh noodles, chicken pot stickers and dumplings, hand-rolled summer rolls, seasonal stir-fry dishes featuring local produce, wok-seared fish, and signature beverages, such as "homemade" fresh ginger ale and tropical cocktails. Big Bowl's focus on quality means garlic, ginger and lemon grass are chopped daily, lemon juice is hand squeezed, and peanut sauce is prepared with home-roasted peanuts. Big Bowl's flavorful broths, curry pastes, dip sauces and condiments are made from scratch. Big Bowl's interactive stir-fry bar allows the guests to help themselves to a "Farmers' Market" array of vegetables to be wok-cooked with their own choice of sauces and meats with noodles or rice.

While honoring its Asian culinary tradition, Big Bowl strives to deliver fine quality at great value, assisted by a service team carefully trained to guide guests through this new culinary experience. Entree selections range in menu price from $6.95 to $12.95, with the average revenue per meal, including alcoholic beverages, approximating $16.46 per person. During the year ended June 24, 1998, food and non-alcoholic beverage sales constituted approximately 87.5% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 12.5%.

Wildfire

Wildfire restaurants are authentic 1940's style steak houses featuring an open kitchen consisting of a hardwood burning oven and rotisserie. Each of the Wildfire restaurants is a casual, full-service restaurant offering broiled steaks, chops, fresh seafood, barbecued ribs,

pizza, spit-roasted chicken, salads to share, and a full line of cocktails with a complete wine list to complement the menu. Entree selections range from $12.95 to $26.95, with the average revenue per meal, including alcoholic beverages, approximating $28.84 per person. During the year ended June 24, 1998, food and non-alcoholic beverage sales constituted approximately 77.5% of the concept's total restaurant revenues, with alcoholic beverages accounting for the remaining 22.5%.

Restaurant Locations

At June 24, 1998, the Company's system of company-operated, joint venture and franchised units included 806 restaurants located in 46 states, Washington, D.C., Australia, Canada, China, Egypt, Great Britain, France, Indonesia, Kuwait, Malaysia, Mexico, Peru, Philippines, Puerto Rico, Singapore, South Korea, and United Arab Emirates. The Company's portfolio of restaurants is illustrated below:

Chili's:	
Company-Operated	414
Franchise	159
Macaroni Grill:	
Company-Operated	111
Franchise	2
On The Border:	
Company-Operated	50
Franchise	15
Cozymel's	12
Maggiano's	7
Corner Bakery	30
Eatzi's	3
Big Bowl	2
Wildfire	1
TOTAL	806

The 573 Chili's restaurants include domestic locations in 46 states and Washington, D.C. and foreign locations in 16 countries. The 113 Macaroni Grill restaurants include domestic locations in 33 states and foreign locations in Canada. The On The Border, Cozymel's, Maggiano's, Corner Bakery, Big Bowl, and Wildfire restaurants, and Eatzi's markets, are located exclusively within the United States in 23, 8, 4, 7, 1, 1, and 2 states, respectively.

Business Development

The Company's long-term objective is to continue expansion of its restaurant concepts by opening Company-operated units in strategically desirable markets. The Company intends to concentrate on development of certain identified markets to achieve penetration levels deemed desirable by the Company in order to improve the Company's competitive position, marketing potential and profitability. Expansion efforts will be focused not only on major metropolitan areas in the United States but also on smaller market areas and nontraditional locations (such as airports, kiosks, and food courts) which can adequately support any of the Company's restaurant concepts.

The Company considers the restaurant site selection process critical to its long-term success and devotes significant effort to the investigation of new locations utilizing a variety of sophisticated analytical techniques. The site selection process focuses on a variety of factors including: trading-area demographics such as target population density and household income levels; an evaluation of site characteristics such as visibility,

accessibility and traffic volume; proximity to activity centers such as shopping malls, hotel/motel complexes and offices; and an analysis of the potential competition. Members of management inspect and approve each restaurant site prior to its acquisition.

The Company periodically reevaluates restaurant sites to ensure that site selection attributes have not deteriorated below minimum standards. In the event site deterioration were to occur, the Company makes a concerted effort to improve the restaurant's performance by providing physical, operating and marketing enhancements unique to each restaurant's situation. If efforts to restore the restaurant's performance to acceptable minimum standards are unsuccessful, the Company considers relocation to a proximate, more desirable site, or evaluates closing the restaurant if the Company's criteria, such as return on investment and area demographic data do not support a relocation. Since inception, the Company has closed 19 restaurants, including 4 in fiscal 1998, which were performing below the Company's standards primarily due to declining trading-area demographics. The Company operates pursuant to a strategic plan targeted to support the Company's long-term growth objectives, with a focus on continued development of those restaurant concepts that have the greatest return potential for the Company and its shareholders.

The following table illustrates the system-wide restaurants opened in fiscal 1998 and the planned openings in fiscal 1999:

	Fiscal 1998 Openings	Fiscal 1999 Projected Openings
Chili's:		
Company-Operated	22	30
Franchise	15	34
Macaroni Grill:		
Company-Operated	14	18
Franchise	0	2
On The Border:		
Company-Operated	16	18
Franchise	8	8
Cozymel's	0	1
Maggiano's	2	2
Corner Bakery	15	25
Eatzi's	2	3
Big Bowl	0	2
Wildfire	0	2
TOTAL	94	145

The Company anticipates that some of the fiscal 1999 projected restaurant openings will be constructed pursuant to "build-to-suit" agreements, in which the lessor contributes the land cost and all, or substantially all, of the building construction costs. In other cases, the Company may either lease or own the land (paying for any owned land from its own funds) and either lease or own the building, furniture, fixtures and equipment (paying for any owned items from its own funds).

The following table illustrates the approximate average capital investment for a typical unit in the Company's primary restaurant concepts:

	Chili's	Macaroni Grill	Corner Bakery	On The Border	Cozymel's	Maggiano's
Land	$ 650,000	$ 900,000	$ 800,000	$ 800,000	$1,000,000	$3,500,000

Building	1,050,000	1,300,000	750,000	1,300,000	1,300,000	3,000,000
Furniture & Equipment	430,000	525,000	350,000	600,000	600,000	1,000,000
Other	80,000	100,000	70,000	90,000	100,000	350,000
TOTAL	$2,210,000	$2,825,000	$1,970,000	$2,790,000	$3,000,000	$7,850,000

The specific rate at which the Company is able to open new restaurants is determined by its success in locating satisfactory sites, negotiating acceptable lease or purchase terms, securing appropriate local governmental permits and approvals, and by its capacity to supervise construction and recruit and train management personnel.

Joint Venture and Franchise Operations

The Company intends to continue its expansion through joint venture and franchise development, both domestically and internationally. During the year ended June 24, 1998, 15 new Chili's and 8 On The Border franchised restaurants were opened.

The Company has entered into international franchise agreements which will bring Chili's to Bahrain, Venezuela, Saudi Arabia, Lebanon, Guam, and Austria and Macaroni Grill to the United Kingdom and Mexico in the 1999 fiscal year. In fiscal 1998, the first Chili's restaurants opened in China (July 1997), Peru (July 1997), and Kuwait (January 1998).

The Company intends to selectively pursue international expansion and is currently contemplating development in other countries. A typical franchise development agreement provides for payment of area development and initial franchise fees in addition to subsequent royalty and advertising fees based on the gross sales of each restaurant. Future franchise development agreements are expected to remain limited to enterprises having significant experience as restaurant operators and proven financial ability to develop multi-unit operations.

The Company has previously entered into agreements for research and development activities related to the testing of new restaurant concepts and has a significant equity interest in such ventures, which interests are typically accounted for under the equity method. The Company currently owns a 50% interest in the four Eatzi's stores currently operating in Dallas and Houston, Texas, Atlanta, Georgia and Westbury, New York. In addition, the Company holds a 50% interest in the legal entity owning the two Big Bowl restaurants located in Chicago, Illinois and a 13% interest in the legal entity owning the two Wildfire restaurants (one of which was opened subsequent to the end of the fiscal year in August 1998) located in Chicago, Illinois.

At June 24, 1998, 41 total joint venture or franchise development agreements existed. The Company anticipates that an additional 34 franchised Chili's, two franchised Macaroni Grill, and eight franchised On The Border restaurants will be opened during fiscal 1999. In addition, the Company anticipates that three Eatzi's stores, two Big Bowl restaurants, and two Wildfire restaurants will be opened during fiscal 1999.

Restaurant Management

The Company's philosophy to maintain and operate each concept as a distinct and separate entity ensures that the culture, recruitment and training programs and unique operating environments are preserved. These factors are critical to the viability of each concept. Each concept is directed by a president and one or more concept vice presidents and senior vice presidents.

The Company's restaurant management structure varies by concept. The individual restaurants themselves are led by a management team including a general manager and between two to five additional managers. The level of restaurant supervision depends upon the operating complexity and sales

volume of each concept. An area director/supervisor is responsible for the supervision of, on average, three to seven restaurants. For those concepts with a significant number of units within a geographical region, additional levels of management may be provided.

The Company believes that there is a high correlation between the quality of restaurant management and the long-term success of a concept. In that regard, the Company encourages increased tenure at all management positions through various short and long-term incentive programs, including equity ownership. These programs, coupled with a general management philosophy emphasizing quality of life, have enabled the Company to attract and retain management employees at levels above the industry norm.

The Company ensures consistent quality standards in all concepts through the issuance of operations manuals covering all elements of operations and food and beverage manuals which provide guidance for preparation of Company formulated recipes. Routine visitation to the restaurants by all levels of supervision enforce strict adherence to Company standards.

The director of training for each concept is responsible for maintaining each concept's operational training program. The training program includes a four to five month training period for restaurant management trainees, a continuing management training process for managers and supervisors, and training teams consisting of groups of employees experienced in all facets of restaurant operations that train employees to open new restaurants. The training teams typically begin on-site training at a new restaurant seven to ten days prior to opening and remain on location two to three weeks following the opening to ensure the smooth transition to operating personnel.

Purchasing

The Company's ability to maintain consistent quality of products throughout each of its restaurant concepts depends upon acquiring food products and related items from reliable sources. Suppliers are pre-approved by the Company and are required along with the restaurants to adhere to strict product specifications established through the Company's quality assurance program to ensure that high quality, wholesome food and beverage products are served in the restaurants. The Company negotiates directly with the major suppliers to obtain competitive prices and uses purchase commitment contracts to stabilize the potentially volatile pricing associated with certain commodity items. All essential food and beverage products are available, or upon short notice can be made available, from alternative qualified suppliers in all cities in which the Company's restaurants are located. Because of the relatively rapid turnover of perishable food products, inventories in the restaurants, consisting primarily of food, beverages and supplies, have a modest aggregate dollar value in relation to revenues.

Advertising and Marketing

The Company's concepts generally focus on the 18 to 54 year old age group, which constitutes approximately half of the United States population. Members of this population segment grew up on fast food, but the Company believes that, with increasing maturity, they prefer a more adult, upscale dining experience. To attract this target group, the Company relies primarily on television, radio, direct mail advertising and word-of-mouth information communicated by customers.

The Company's franchise agreements require advertising contributions to the Company to be used exclusively for the purpose of maintaining, directly administering and preparing standardized advertising and promotional activities. Franchisees spend additional amounts on local advertising when approved by the Company.

Employees

At June 24, 1998, the Company employed approximately 53,000 persons, of whom approximately 830 were corporate personnel, 3,200 were restaurant area directors, managers or trainees and 49,000 were employed in non-management restaurant positions. The executive officers of the Company have an average of approximately 19 years of experience in the restaurant industry.

The Company considers its employee relations to be good and believes that its employee turnover rate is commensurate with the industry average. Most employees, other than restaurant management and corporate personnel, are paid on an hourly basis. The Company believes that it provides working conditions and wages that compare favorably with those of its competition. The Company's employees are not covered by any collective bargaining agreements.

Trademarks

The Company has registered, among other marks, "Big Bowl", "Brinker International", "Chili's", "Chili's Too", "Chili's Bar & Bites", "Chili's Southwest Grill & Bar", "Corner Bakery", "Cozymel's", "Cozymel's Coastal Mexican Grill", "Eatzi's", "Eatzi's Market & Bakery", "Romano's Macaroni Grill", "Macaroni Grill", "Maggiano's Little Italy", "On The Border", "On The Border Mexican Cafe", and "Wildfire" as trademarks with the United States Patent and Trademark Office.

Risk Factors/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 contained herein regarding 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. Except for historical information, matters discussed in such statements are forward-looking statements that involve risks and uncertainties.

Competition. 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.

Seasonality. The Company's sales volumes fluctuate seasonally, and are generally higher in the summer months and lower in the winter months.

Governmental Regulations. 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 does not, at this time, anticipate any.

The Company is subject to federal and state environmental regulations, but these have not had a material negative effect on the Company's operations. 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 American With Disabilities Act and various family leave mandates. The Company does not expect any further significant increases in payroll expenses as a result of the recently-mandated increases in the minimum wage, but is uncertain of the repercussion, if any, on other expenses as vendors are impacted by higher minimum wage standards.

Inflation. The Company has not experienced a significant overall impact from inflation. If operating expenses increase due to inflation, the Company recovers increased costs by increasing menu prices. However, competition may prohibit such increases in menu prices.

Year 2000. The Year 2000 will have a broad impact on the business environment in which the Company operates due to the possibility that many computerized systems across all industries will be unable to process information containing dates beginning in the Year 2000. The Company has established an enterprise-wide program to prepare its computer systems and applications for the Year 2000 and is utilizing both internal and external resources to identify, correct and test the systems for Year 2000 compliance. The Company anticipates that the majority of its domestic reprogramming will be completed by December 31, 1998 and testing efforts will be substantially concluded by March 31, 1999. Further validation through testing will be conducted throughout calendar year 1999. The Company expects that all mission-critical systems will be Year 2000 compliant prior to the end of the 1999 calendar year.

The nature of the Company's business is such that the business risks associated with the Year 2000 can be reduced by closely assessing the vendors supplying the Company's restaurants with food and related products and with the Company's franchise business partners to ensure that they are aware of the Year 2000 business risks and are appropriately assessing and addressing them.

Because third party failures could have a material impact on the Company's ability to conduct business, questionnaires have been sent to substantially all of the Company's vendors to obtain reasonable assurance that plans are being developed to address the Year 2000 issue. The returned questionnaires are currently being assessed by the Company, and are being categorized based upon readiness for the Year 2000 issues and prioritized in order of significance to the business of the Company. To the extent that vendors do not provide the Company with satisfactory evidence of their readiness to handle Year 2000 issues, contingency plans will be developed. Furthermore, information has been provided to all franchise business partners regarding the potential business risks associated with the Year 2000 issue. The Company intends to make every reasonable effort to assess the Year 2000 readiness of these business partners and to create action plans to address the identified risks.

The Company anticipates that it will have substantially completed an inventory of all information technology and non-information technology equipment by December 31, 1998, and will then address the Year 2000 compliance of such equipment.

Testing and remediation of all of the Company's systems and applications is expected to cost approximately $6 million from inception in calendar year 1997 through completion in calendar year 1999. Of these costs, approximately $750,000 was incurred through June 24, 1998. Approximately $3.5 million is expected to be incurred in fiscal 1999 with the remaining $1.75 million to be incurred in fiscal 2000. All estimated costs have been budgeted and are expected to be funded by cash flows from operations.

The Company does not believe the costs related to the Year 2000 compliance project will be material to its financial position or results of operations. However, the cost of the project and the date on which the Company plans

to complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events including the continued availability of certain resources, third party modification plans, and other factors. Unanticipated failures by critical vendors and franchise partners, as well as the failure by the Company to execute its own remediation efforts, could have a material adverse effect on the cost of the project and its completion date. As a result, there can be no assurance that these forward-looking estimates will be achieved and the actual cost and vendor compliance could differ materially from those plans, resulting in material financial risk.

Other Risk Factors. Other risk factors that could cause the Company's actual results to differ material 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, and weather and other acts of God.

Item 2. PROPERTIES.

The following table illustrates the approximate average dining capacity for each current prototypical unit in primary restaurant concepts:

	Chili's	Macaroni Grill	On The Border	Cozymel's	Maggiano's
Square Feet	5,547-5,612	6,702-8,679	7,175-8,034	9,429	13,300-19,306
Dining Seats	203-214	244-300	222-262	422	571-742
Dining Tables	45-51	54-69	55-62	94	100-164

Corner Bakery's size and dining capacity varies based upon whether it is an in-line or kiosk location. For a Corner Bakery located in a kiosk, the square footage ranges from 150 to 2000 square feet, the number of dining seats range from 0 to 50, and the number of dining tables range from 0 to 15. For in-line Corner Bakery locations, the square footage ranges from 3,500 to 4,500, the number of dining seats range from 80 to 130, and the number of dining tables range from 30 to 50.

Certain of the Company's restaurants are leased for an initial term of 5 to 30 years, with renewal terms of 1 to 30 years. The leases typically provide for a fixed rental plus percentage rentals based on sales volume. At June 24, 1998, the Company owned the land and/or building for 424 of the 624 Company-operated restaurants. The Company considers that its properties are suitable, adequate, well-maintained and sufficient for the operations contemplated.

The Company leases warehouse space totalling approximately 26,300 square feet in Dallas, Texas, which it uses for storage of equipment and supplies. The Company purchased an office building containing approximately 105,000 square feet for its corporate headquarters in July 1989. This office building was expanded in May 1997 by the addition of a 2,470 square foot facility used for menu development activities. In January 1996, the Company purchased an additional office complex containing three (3) buildings and approximately 198,000 square feet for the expansion of its corporate headquarters. Approximately 68,400 square feet of this complex is currently utilized by the Company, with the remaining 129,600 square feet under lease, listed for lease to third party tenants, or reserved for future expansion of the Company headquarters. In November 1997, the Company sold the office complex and is leasing it back under a 20-year operating lease.

Item 3. LEGAL PROCEEDINGS.

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.

The Company's Common Stock is traded on the New York Stock Exchange ("NYSE") under the symbol "EAT". Bid prices quoted represent interdealer prices without adjustment for retail markup, markdown and/or commissions, and may not necessarily represent actual transactions. The following table sets forth the quarterly high and low closing sales prices of the Common Stock, as reported by the NYSE.

Fiscal year ended June 24, 1998:

First Quarter	17 1/2	13 13/16
Second Quarter	17 13/16	13 15/16
Third Quarter	21 5/8	15 1/16
Fourth Quarter	24 5/16	18 9/16

Fiscal year ended June 25, 1997:

First Quarter	17 1/2	13
Second Quarter	18 3/4	16 1/8
Third Quarter	16 5/8	11
Fourth Quarter	14 1/4	11

As of September 1, 1998, there were 1,553 holders of record of the Company's Common Stock.

The Company has never paid cash dividends on its Common Stock and does not currently intend to do so as profits are reinvested into the Company to fund expansion of its restaurant business. Payment of dividends in the future will depend upon the Company's growth, profitability, financial condition and other factors which the Board of Directors may deem relevant.

During the three-year period ending on September 1, 1998, the Company issued no securities which were not registered under the Securities Act of 1933, as amended.

Item 6. SELECTED FINANCIAL DATA.

"Selected Financial Data" on page 31 of the Company's 1998 Annual Report to Shareholders is incorporated herein by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 32 through 39 of the Company's 1998 Annual Report to Shareholders is incorporated herein by reference.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.

"Quantitative and Qualitative Disclosures About Market Risks" contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 37 of the Company's 1998 Annual Report to Shareholders is incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See Item 14(a)(1).

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

"Directors and Executive Officers" on pages 4 through 9 and "Section 16(a) Beneficial Ownership Reporting Compliance" on page 15 of the Company's Proxy Statement dated September 18, 1998, for the annual meeting of shareholders on October 29, 1998, are incorporated herein by reference.

Item 11. COMPENSATION INFORMATION.

"Executive Compensation" on pages 9 through 11 and "Report of the Compensation Committee" on pages 11 through 14 of the Company's Proxy Statement dated September 18, 1998, for the annual meeting of shareholders on October 29, 1998, are incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

"Principal Shareholders" on page 2 and "Security Ownership of Management and Election of Directors" on pages 3 through 4 of the Company's Proxy Statement dated September 18, 1998, for the annual meeting of shareholders on October 29, 1998, are incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

"Certain Transactions" on page 15 of the Company's Proxy Statement dated September 18, 1998, for the annual meeting of shareholders on October 29, 1998, is incorporated herein by reference.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENTS AND REPORTS ON FORM 8-K.

(a) (1) Financial Statements.

Reference is made to the Index to Financial Statements attached hereto on page 18 for a listing of all financial statements incorporated herein from the Company's 1998 Annual Report to Shareholders.

(a) (2) Financial Statement Schedules.

None.

(a) (3) Exhibits.

Reference is made to the Exhibit Index preceding the exhibits attached hereto on page E-1 for a list of all exhibits filed as a part of this Report.

(b) Reports on Form 8-K

The Company was not required to file a current report on Form 8-K during the three months ended June 24, 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BRINKER INTERNATIONAL, INC.,
a Delaware corporation

By:

Russell G. Owens, Executive Vice President and Chief Financial and Strategic Officer

Dated: September 18, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons of the registrant and in the capacities indicated on September 18, 1998.

Name	Title
____________________ Ronald A. McDougall	President, Chief Executive Officer and Director (Principal Executive Officer)
_________________ Russell G. Owens	Executive Vice President, and Chief Financial and Strategic Officer (Principal Financial and Accounting Officer)
____________________ Norman E. Brinker	Chairman of the Board
____________________ Donald J. Carty	Director
____________________ Gerard V. Centioli	Director
____________________ Dan W. Cook, III	Director
____________________ Rae F. Evans	Director
______________________ Marvin J. Girouard	Director
______________________ J.M. Haggar, Jr.	Director
______________________ Frederick S. Humphries	Director
_______________________ Ronald Kirk	Director
________________________ Jeffrey A. Marcus	Director
________________________	Director

James E. Oesterreicher

________________________ Director
Roger T. Staubach

INDEX TO FINANCIAL STATEMENTS

The following is a listing of the financial statements which are incorporated herein by reference. The financial statements of the Company included in the Company's 1998 Annual Report to Shareholders are incorporated herein by reference in Item 8.

	1998 Annual Report Page
Consolidated Balance Sheets - June 24, 1998 and June 25, 1997	40-41
Consolidated Statements of Income - Years Ended June 24, 1998, June 25, 1997 and June 26, 1996	42
Consolidated Statements of Shareholders' Equity - Years Ended June 24, 1998, June 25, 1997 and June 26, 1996	43
Consolidated Statements of Cash Flows - Years Ended June 24, 1998, June 25, 1997 and June 26, 1996	44
Notes to Consolidated Financial Statements	45-58
Independent Auditors' Report	59

All schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

INDEX TO EXHIBITS

Exhibit	
3(a)	Certificate of Incorporation of the registrant, as amended. (1)
3(b)	Bylaws of the registrant. (1)
10(a)	Registrant's 1983 Incentive Stock Option Plan. (2)
10(b)	Registrant's 1991 Stock Option Plan for Non-Employee Directors and Consultants. (3)
10(c)	Registrant's 1992 Incentive Stock Option Plan. (3)
13	1998 Annual Report to Shareholders. (5)
21	Subsidiaries of the registrant. (4)
23	Independent Auditors' Consent. (4)
27(a)	Financial Data Schedule. (6)
27(b)	Restated Financial Data Schedule as of and for the year ended June 25, 1997. (6)
27(c)	Restated Financial Data Schedule as of and for the year ended June 26, 1996. (6)
99	Proxy Statement of registrant dated September 18, 1998. (5)

(1) Filed as an exhibit to annual report on Form 10-K for year ended June 28, 1995 and incorporated herein by reference.

(2) Filed as an exhibit to annual report on Form 10-K for year ended June 26, 1996 and incorporated herein by referenced.

(3) Filed as an exhibit to annual report on Form 10-K for year ended June 25, 1997 and incorporated herein by reference.

(4) Filed herewith.

(5) Portions filed herewith, to the extent indicated herein.

(6) Filed with EDGAR version.

EXHIBIT 13

SELECTED FINANCIAL DATA
(In thousands, except per share amounts and number of restaurants)

	Fiscal Years				
	1998	1997	1996	1995	1994
Income Statement Data:					
Revenues	$1,574,414	$1,335,337	$1,162,951	$1,042,199	$ 886,040
Costs and Expenses:					
Cost of Sales	426,558	374,525	330,375	283,417	241,950
Restaurant Expenses	866,143	720,769	620,441	540,986	451,029
Depreciation and Amortization	86,376	78,754	64,611	58,570	51,570
General and Administrative	77,407	64,404	54,271	50,362	45,659
Interest Expense	11,025	9,453	4,579	595	441
Gain on Sales of Concepts	-	-	(9,262)	-	-
Restructuring Charge	-	-	50,000	-	-
Merger Expenses	-	-	-	-	1,949
Injury Claim Settlement	-	-	-	-	2,248
Other, Net	1,447	(3,553)	(4,201)	(3,151)	(5,348)
Total Costs and Expenses	1,468,956	1,244,352	1,110,814	930,779	789,498
Income Before Provision for Income Taxes	105,458	90,985	52,137	111,420	96,542
Provision for Income Taxes	36,383	30,480	17,756	38,676	34,223
Net Income	$ 69,075	$ 60,505	$ 34,381	$ 72,744	$ 62,319
Basic Net Income Per Share	$ 1.05	$ 0.82	$ 0.45	$ 1.01	$ 0.88
Diluted Net Income Per Share	$ 1.02	$ 0.81	$ 0.44	$ 0.98	$ 0.83
Basic Weighted Average Shares Outstanding	65,766	73,682	76,015	71,764	70,984
Diluted Weighted Average Shares Outstanding	67,450	74,800	77,905	74,283	74,947
Balance Sheet Data (end of period):					
Working Capital Deficit	$ (92,570)	$ (36,699)	$ (35,035)	$ (2,377)	$ (54,879)
Total Assets	989,383	996,943	888,834	738,936	558,435
Long-term Obligations	197,577	324,066	157,274	139,645	39,316
Shareholders' Equity	593,739	523,744	608,170	496,797	417,377
Number of Restaurants Open at End of Period:					
Company-Operated	624	556	468	439	369
Franchised/Joint Venture	182	157	147	121	89
Total	806	713	615	560	458

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

RESULTS OF OPERATIONS FOR FISCAL YEARS 1998, 1997, AND 1996

The following table sets forth expenses as a percentage of total revenues for the periods indicated for revenue and expense items included in the consolidated statements of income.

	Percentage of Total Revenues Fiscal Years		
	1998	1997	1996
Revenues	100.0%	100.0%	100.0%
Costs and Expenses:			
Cost of Sales	27.1%	28.1%	28.4%

Restaurant Expenses	55.0%	54.0%	53.3%
Depreciation and Amortization	5.5%	5.9%	5.6%
General and Administrative	4.9%	4.8%	4.7%
Interest Expense	0.7%	0.7%	0.4%
Gain on Sales of Concepts	-	-	(0.8%)
Restructuring Charge	-	-	4.3%
Other, Net	0.1%	(0.3%)	(0.4%)
Total Costs and Expenses	93.3%	93.2%	95.5%
Income Before Provision for Income Taxes	6.7%	6.8%	4.5%
Provision for Income Taxes	2.3%	2.3%	1.5%
Net Income	4.4%	4.5%	3.0%

REVENUES

Increases in revenues of 18% and 15% in fiscal 1998 and 1997, respectively, primarily relate to the increases in sales weeks driven by new unit expansion. Revenues for fiscal 1998 increased due to a 14.3% increase in sales weeks and a 3.2% increase in average weekly sales. Revenues for fiscal 1997 increased 15% due to a 12.2% increase in sales weeks and a 2.3% increase in average weekly sales. Menu price increases were less than 2% in both fiscal 1998 and 1997.

COSTS AND EXPENSES (as a percent of Revenues)

Cost of sales decreased in fiscal 1998 compared to fiscal 1997 due to menu price increases and favorable commodity price variances which partially offset product mix changes to menu items with higher percentage food costs. Cost of sales also decreased in fiscal 1997 compared to fiscal 1996 due to menu price increases which partially offset unfavorable commodity price variances and product mix changes to menu items with higher percentage food costs.

Restaurant expenses increased in fiscal 1998 due primarily to increases in rent expense and management labor. Rent expense increased due to sale-leaseback transactions and an equipment leasing facility entered into in fiscal 1998. Management labor increased as a result of the cost of continuing efforts to remain competitive in the industry and increases in monthly performance bonuses due to the restaurants' positive performance in fiscal 1998. Restaurant labor wage rate increases due to Federal government mandated increases in the minimum wage were offset by improvements in labor productivity, as well as menu price increases. Restaurant expenses also increased in fiscal 1997 due to increases in management and restaurant labor which were partially offset by reduced insurance costs. Labor costs increased in fiscal 1997 as a result of increases in manager base salaries and hourly wage rates to remain competitive in the industry and comply with Federal government mandated increases in the minimum wage.

Depreciation and amortization decreased in fiscal 1998 after increasing in fiscal 1997. The fiscal 1998 decrease resulted from the impact of sale-leaseback transactions and an equipment leasing facility, as well as a declining depreciable asset base for older units. Partially offsetting these decreases were increases in depreciation and amortization related to new unit construction costs and ongoing remodel costs. In fiscal 1997, additions to the asset base caused by new unit construction offset decreases from a declining depreciable asset base.

General and administrative expenses have remained relatively flat in the past two fiscal years as a result of the Company's focus on controlling corporate expenditures relative to increasing revenues and number of restaurants. However, total costs increased in fiscal 1998 due to additional staff to support the expansion of restaurant concepts and an increased profit sharing accrual.

Interest expense, net of capitalized interest, increased in both fiscal 1998 and 1997 due to increased borrowings on the Company's credit facilities primarily used to fund the Company's stock repurchase plan.

RESTRUCTURING RELATED ITEMS

In October 1995, the Board of Directors of the Company approved a strategic plan targeted to support the Company's long-term growth objectives. The plan focuses on continued development of those restaurant concepts that have the greatest return potential for the Company and its shareholders. In conjunction with this plan, the Company decided to dispose of or convert 30 to 40 Company-owned restaurants that did not meet management's financial return expectations. The Company recorded a $50 million restructuring charge during fiscal 1996 to cover costs related to the execution of this plan, primarily the write-down of property and equipment to net realizable value, costs to settle lease obligations, and the write-off of other assets. The restructuring actions were substantially completed in fiscal 1997. In conjunction with the strategic plan, the Company also completed the sales of the Grady's American Grill, Spageddies Italian Kitchen, and Kona Ranch Steak House concepts during the second quarter of fiscal 1996, recognizing a gain of approximately $9.3 million.

INCOME TAXES

The Company's effective income tax rate was 34.5%, 33.5%, and 34.1%, in fiscal 1998, 1997, and 1996, respectively. The increase in fiscal 1998 is primarily a result of a decrease in the rate effect of a dividends received deduction resulting from the liquidation of the Company's marketable securities portfolio. The decrease in fiscal 1997 is primarily a result of a decrease in the rate effect of state income taxes.

NET INCOME AND NET INCOME PER SHARE

Fiscal 1998 net income and diluted net income per share increased 14.2% and 25.9%, respectively. The increase in both net income and diluted net income per share was due to an increase in revenues as a result of increases in average weekly sales, sales weeks, and menu price increases and decreases in commodity prices. This favorable component of the increase in net income was somewhat offset by increases in management labor, incentive compensation, wage rates, and non-operating costs. The increase in diluted net income per share was proportionately larger than the increase in net income due to the effect of continuing share repurchases. Fiscal 1997 net income and diluted net income per share increased 76.0% and 84.1%, respectively, compared to fiscal 1996. Excluding the effects of the 1996 restructuring charges and gain on sales of concepts, fiscal 1997 net income actually decreased 0.6% from $60.9 million to $60.5 million and diluted net income per share increased 3.8% from $0.78 to $0.81. The decrease in net income before restructuring related items in light of the increase in revenues was due to the increases in costs and expenses previously mentioned. Before 1996 restructuring related items, diluted net income per share increased despite the decline in net income due to a 4.0% reduction in the weighted average number of shares outstanding mainly resulting from the 1997 $150 million stock repurchase plan (12.5 million shares).

IMPACT OF INFLATION

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.

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit increased from $36.7 million at June 25, 1997 to $92.6 million at June 24, 1998, and net cash provided by operating activities increased to $200.9 million for fiscal 1998 from $145.6 million for fiscal 1997 due to increased profitability and the timing of operational receipts and payments.

Long-term debt outstanding at June 24, 1998 consisted of $85.7 million of unsecured senior notes, $59.5 million of borrowings on credit facilities, and obligations under capital leases. The Company has credit facilities totaling $360 million. At June 24, 1998, the Company had $292.2 million in available funds from credit facilities.

During fiscal 1998, the Company entered into an equipment leasing

facility for up to $55 million, of which funding commitments of $47.5 million have been obtained. As of June 24, 1998, $24.4 million of the leasing facility has been utilized, including a $10.2 million sale and leaseback of existing equipment. The facility balance will continue to be used to lease equipment in fiscal 1999. Also, during fiscal 1998, the Company executed a $124 million sale and leaseback of certain real estate assets. The net proceeds were used to retire $115 million of the Company's 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, and ongoing remodeling programs. Capital expenditures were $167.1 million for fiscal 1998. The decrease in 1998 capital expenditures compared to 1997 is due largely to the utilization of the equipment leasing facility. The Company estimates that its capital expenditures during fiscal 1999 will approximate $190 million. These capital expenditures will be funded from internal operations, cash equivalents, build-to-suit lease agreements with landlords, and drawdowns on the Company's available lines of credit.

During fiscal 1998, the Company increased its investments in various joint ventures by $35.5 million. The joint ventures are accounted for using the equity method and are classified in other assets in the Company's consolidated balance sheets.

During fiscal 1998, pursuant to a $50 million plan approved by the Company's Board of Directors, the Company repurchased 809,000 shares of its common stock for approximately $17 million in accordance with applicable securities regulations. The repurchased common stock will be used by the Company to increase shareholder value by offsetting the dilutive effect of stock option exercises, to satisfy obligations under its savings plans, and for other corporate purposes. The repurchased common stock is reflected as a reduction of shareholders' equity. During fiscal 1997, the Company repurchased 12.5 million shares of its common stock under a similar plan for approximately $150 million. The Company financed the repurchase program through a combination of cash provided by operations, liquidation of its marketable securities portfolio, and drawdowns on its available credit facilities.

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 from credit facilities and from strong internal cash generating capabilities to adequately manage the expansion of the business.

YEAR 2000

The Year 2000 will have a broad impact on the business environment in which the Company operates due to the possibility that many computerized systems across all industries will be unable to process information containing dates beginning in the Year 2000. The Company has established an enterprise-wide program to prepare its computer systems and applications for the Year 2000 and is utilizing both internal and external resources to identify, correct and test the systems for Year 2000 compliance. The Company anticipates that the majority of its domestic reprogramming will be completed by December 31, 1998 and testing efforts will be substantially concluded by March 31, 1999. Further validation through testing will be conducted throughout calendar year 1999. The Company expects that all mission-critical systems will be Year 2000 compliant prior to the end of the 1999 calendar year.

The nature of the Company's business is such that the business risks associated with the Year 2000 can be reduced by working closely wassessing the vendors supplying the Company's restaurants with food and related products and with the Company's franchise business partners to ensure that they are aware of the Year 2000 business risks and are appropriately assessing and addressing them.

Because third party failures could have a material impact on the Company's ability to conduct business, questionnaires have been sent to substantially all of the Company's vendors to obtain reasonable assurance that plans are being developed to address the Year 2000 issue. The returned questionnaires are currently being assessed by the Company, and are being categorized based upon readiness for the Year 2000 issues and prioritized in order of

significance to the business of the Company. To the extent that vendors do not provide the Company with satisfactory evidence of their readiness to handle Year 2000 issues, contingency plans will be developed. to obtain qualified replacement vendors. Furthermore, information has been provided to all franchisees business partners regarding the potential business risks associated with the Year 2000 issue. and Tthe Company intends to make every reasonable effort to assess the Year 2000 readiness of these business partners and to create action plans to address the identified risks.in developing contingency plans.

The Company anticipates that it will have substantially completed an inventory of all information technology and non-information technology equipment by December 31, 1998, and will then address the Year 2000 compliance of such equipment. and made determinations as to the Year 2000 compliance of such equipment. The Company currently believes that all items of mission-critical equipment which are not Year 2000 compliant have been identified for replacement.

Testing and remediation of all of the Company's systems and applications is expected to cost approximately $6 million from inception in calendar year 1997 1998 through completion in calendar year 1999. Of these costs, approximately $750,000 was incurred through June 24, 1998. Approximately $3.5 million is expected to be incurred in fiscal 1999 with the remaining $1.75 million to be incurred in fiscal 2000. All estimated costs have been budgeted and are expected to be funded by cash flows from operations.

The Company does not believe the costs related to the Year 2000 compliance project will be material to its financial position or results of operations. However, the cost of the project and the date on which the Company plans to complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events including the continued availability of certain resources, third party modification plans, and other factors. Unanticipated failures by critical vendors and franchise partners, as well as the failure by the Company to execute its own remediation efforts, could have a material adverse eaffect on the cost of the project and its completion date. As a result, there can be no assurance that these forward-looking estimates will be achieved and the actual cost and vendor compliance could differ materially from those plans, resulting in material financial risk.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates on debt and changes in commodity prices. A discussion of the Company's accounting policies for derivative instruments is included in the Summary of Significant Accounting Policies in the notes to the consolidated financial statements.

The Company's net exposure to interest rate risk consists of floating rate instruments that are benchmarked to US and European short-term interest rates. The Company may from time to time utilize interest rate swaps and forwards to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates. The Company does not use derivative instruments for trading purposes and the Company has procedures in place to monitor and control derivative use. No financial derivatives were in place at June 24, 1998. The impact on the Company's results of operations of a one-point interest rate change on the outstanding balance of the variable rate debt as of June 24, 1998 would be immaterial.

The Company purchases certain commodities such as beef, chicken, flour and cooking oil. These commodities are generally purchased based upon market prices established with vendors. These purchase arrangements may contain contractual features that limit the price paid by establishing certain price floors or caps. The Company does not use financial instruments to hedge commodity prices because these purchase arrangements help control the ultimate cost paid and any commodity price aberrations are generally short term in nature.

This market risk discussion contains forward-looking statements. Actual results may differ materially from this discussion based upon general market conditions and changes in domestic and global financial markets.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement No. 130 ("SFAS No. 130"), "Reporting Comprehensive Income." SFAS No. 130 establishes new rules for the reporting and display of comprehensive income and its components in the financial statements. SFAS No. 130 is effective for the Company's first quarter financial statements in fiscal 1999.

In June 1997, the FASB issued Statement No. 131 ("SFAS No. 131"), "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in interim financial reports. SFAS No. 131 is effective for the Company's fiscal 1999 annual financial statements.

The adoption of these standards will have no impact on the Company's consolidated results of operations, financial position, or cash flow.

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5 ("SOP 98-5"), "Reporting of the Costs of Start-up Activities." SOP 98-5 is effective for financial statements issued for years beginning after December 15, 1998; therefore, the Company will be required to implement its provisions by the first quarter of fiscal 2000. At that time, the Company will be required to change the method currently used to account for preopening costs. The application of SOP 98-5 will result in deferred preopening costs on the Company's consolidated balance sheet as of the date of adoption, net of related tax effects, being charged to operations as the cumulative effect of a change in accounting principle. Under the new requirements for accounting for preopening costs, the subsequent costs of start-up activities will be expensed as incurred. A resulting benefit of this change is the discontinuance of amortization expense in subsequent periods. As of June 24, 1998, the balance of deferred preopening costs, net of related tax effects, is approximately $5.6 million. However, the ultimate impact of adopting SOP 98-5 on the accounting for preopening costs is contingent upon the number of future restaurant openings and thus, cannot be reasonably estimated at this time.

In June 1998, the FASB issued Statement No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133 is effective for the Company's first quarter financial statements in fiscal 2000. The Company is currently not involved in derivative instruments or hedging activities, and therefore, will measure the impact of this statement as it becomes necessary.

MANAGEMENT OUTLOOK

In fiscal 1997, the Company realigned its management structure to more directly support its various restaurant concepts. This realignment included upgrading certain strategic functions and decentralizing functions which are more effectively performed at the concept level. As a result of this realignment, fiscal 1998 delivered improved financial results, developed a strong foundation for the future of the Company, demonstrated how the Company's dynamic multi-concept strategy will allow for sustainable long-term growth, and most importantly, enhanced shareholder value. During fiscal 1999, the Company will build on the momentum generated in fiscal 1998 through the following initiatives: (i) continued focus on culinary evolution, service excellence, and overall value, (ii) disciplined unit expansion in traditional casual dining locations, (iii) developing and expanding Chili's into nontraditional casual dining locations, such as malls and airports, (iv) enhanced marketing and brand awareness across all concepts, and (v) continuing to explore the market potential of emerging concepts: Eatzi's, Cozymel's, Big Bowl, and Wildfire. With this strong line-up, management expects to open over 140 new restaurants system-wide and to approach sales of $2 billion system-wide during fiscal 1999.

In fiscal 1998 and 1997, the Company experienced a difficult operating environment due to intense competition and increasing

labor costs caused by low unemployment and a strong economy. Management expects these trends to continue in fiscal 1999. However, management believes that with its strong, well-positioned brands, experienced management team, and a commitment to its customers, the Company will attain growth and profitability objectives while creating value for its shareholders.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking regarding future economic performance, restaurant openings, operating margins, the availability of acceptable real estate locations for new restaurants, the sufficiency of cash balances and cash generated from operating and financing activities for future liquidity and capital resource needs, and other matters. These forward-looking statements involve risks and uncertainties and, consequently, could be affected by general business conditions, the impact of competition, the seasonality of the Company's business, governmental regulations, inflation, changes in economic conditions, consumer perceptions of food safety, changes in consumer tastes, governmental monetary policies, changes in demographic trends, availability of employees, or weather and other acts of God.

BRINKER INTERNATIONAL, INC.
Consolidated Balance Sheets
(In thousands)

	1998	1997
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 31,101	$ 23,194
Marketable Securities (Note 4)	51	24,469
Accounts Receivable	18,789	15,258
Inventories	13,774	13,031
Prepaid Expenses	36,576	30,364
Deferred Income Taxes (Note 6)	3,250	1,050
Other	1,956	5,068
Total Current Assets	105,497	112,434
Property and Equipment, at Cost (Note 8):		
Land	145,900	171,551
Buildings and Leasehold Improvements	541,403	533,579
Furniture and Equipment	310,849	294,985
Construction-in-Progress	48,245	42,977
	1,046,397	1,043,092
Less Accumulated Depreciation and Amortization	337,825	293,483
Net Property and Equipment	708,572	749,609
Other Assets:		
Goodwill, Net (Note 2)	76,330	78,291
Other	98,984	56,609
Total Other Assets	175,314	134,900
Total Assets	$ 989,383	$ 996,943

(continued)

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

LIABILITIES AND SHAREHOLDERS' EQUITY	1998	1997
Current Liabilities:		
Current Installments of Long-term Debt (Notes 7 and 8)	$ 14,618	$ 280
Accounts Payable	97,597	76,640
Accrued Liabilities (Note 5)	85,852	72,213
Total Current Liabilities	198,067	149,133
Long-term Debt, Less Current Installments (Notes 7 and 8)	147,288	287,521
Deferred Income Taxes (Note 6)	8,254	7,426
Other Liabilities	42,035	29,119
Commitments and Contingencies (Notes 8 and 12)		

Shareholders' Equity (Notes 2, 9, and 10):		
Preferred Stock - 1,000,000 Authorized Shares; $1.00 Par Value; No Shares Issued	-	-
Common Stock - 250,000,000 Authorized Shares; $.10 Par Value; 78,150,054 Shares Issued and 65,926,032 Shares Outstanding at June 24, 1998, and 77,710,016 Shares Issued and 65,233,900 Shares Outstanding at June 25, 1997	7,815	7,771
Additional Paid-In Capital	276,380	270,892
Unrealized Gain on Marketable Securities (Note 4)	-	304
Retained Earnings	464,083	395,008
	748,278	673,975
Less: Treasury Stock, at Cost (12,224,022 shares at June 24, 1998, and 12,476,116 shares at June 25, 1997)	(154,539)	(150,231)
Total Shareholders' Equity	593,739	523,744
Total Liabilities and Shareholders' Equity	$ 989,383	$ 996,943

See accompanying notes to consolidated financial statements.

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

	Fiscal Years 1998	1997	1996
Revenues	$1,574,414	$1,335,337	$1,162,951
Costs and Expenses:			
Cost of Sales	426,558	374,525	330,375
Restaurant Expenses (Note 8)	866,143	720,769	620,441
Depreciation and Amortization	86,376	78,754	64,611
General and Administrative	77,407	64,404	54,271
Interest Expense (Note 7)	11,025	9,453	4,579
Gain on Sales of Concepts (Note 3)	-	-	(9,262)
Restructuring Charge (Note 3)	-	-	50,000
Other, Net (Note 4)	1,447	(3,553)	(4,201)
Total Costs and Expenses	1,468,956	1,244,352	1,110,814
Income Before Provision for Income Taxes	105,458	90,985	52,137
Provision for Income Taxes (Note 6)	36,383	30,480	17,756
Net Income	$ 69,075	$ 60,505	$ 34,381
Basic Net Income Per Share	$ 1.05	$ 0.82	$ 0.45
Diluted Net Income Per Share	$ 1.02	$ 0.81	$ 0.44
Basic Weighted Average Shares Outstanding	65,766	73,682	76,015
Diluted Weighted Average Shares Outstanding	67,450	74,800	77,905

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Consolidated Statements of Shareholders' Equity
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Unrealized Gain (Loss) on Marketable Securities	Retained Earnings	Treasury Stock	Total
Balances at June 28, 1995	72,073	$7,207	$ 190,919	$(1,451)	$300,122	$ -	$496,797
Net Income	-	-	-	-	34,381	-	34,381

Change in Unrealized Gain (Loss) on Marketable Securities	-	-	-	831	-	-	831
Issuances of Common Stock	5,183	519	75,642	-	-	-	76,161
Balances at June 26, 1996	77,256	7,726	266,561	(620)	334,503	-	608,170
Net Income	-	-	-	-	60,505	-	60,505
Change in Unrealized Gain (Loss) on Marketable Securities	-	-	-	924	-	-	924
Purchases of Treasury Stock	(12,486)	-	-	-	-	(150,350)	(150,350)
Issuances of Common Stock	464	45	4,331	-	-	119	4,495
Balances at June 25, 1997	65,234	7,771	270,892	304	395,008	(150,231)	523,744
Net Income	-	-	-	-	69,075	-	69,075
Change in Unrealized Gain (Loss) on Marketable Securities	-	-	-	(304)	-	-	(304)
Purchases of Treasury Stock	(809)	-	-	-	-	(17,077)	(17,077)
Issuances of Common Stock	1,501	44	5,488	-	-	12,769	18,301
Balances at June 24, 1998	65,926	$7,815	$ 276,380	$ -	$464,083	$(154,539)	$593,739

See accompanying notes to consolidated financial statements.

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

	Fiscal Years		
	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 69,075	$ 60,505	$ 34,381
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization of Property and Equipment	70,257	63,866	54,138
Amortization of Goodwill and Other Assets	16,119	14,888	10,473
Gain on Sales of Concepts (Note 3)	-	-	(9,262)
Restructuring Charge (Note 3)	-	-	50,000
Deferred Income Taxes	(1,220)	4,657	(8,313)
Changes in Assets and Liabilities, Excluding Effects of Acquisitions and Dispositions:			
Receivables	(419)	(4,666)	4,783
Inventories	(743)	(1,944)	(1,236)
Prepaid Expenses	(6,212)	(5,632)	(3,920)
Other Assets	2,563	(15,309)	(17,717)
Accounts Payable	25,527	18,953	1,537
Accrued Liabilities	13,639	7,392	(1,596)
Other Liabilities	12,352	2,369	3,607
Other	-	496	2,220
Net Cash Provided by Operating Activities	200,938	145,575	119,095
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Property and Equipment	(167,130)	(191,194)	(187,141)
Payment for Purchase of Restaurants, Net (Note 2)	(2,700)	(15,863)	-
Net Proceeds from Sale-Leasebacks	125,961	-	-
Proceeds from Sales of Concepts (Note 3)	-	-	73,115
Purchases of Marketable Securities	-	(38,543)	(61,390)

Proceeds from Sales of Marketable Securities	23,962	80,796	25,137
Investments in Equity Method Investees	(35,500)	(3,230)	-
Net Repayments from (Advances to) Affiliates	5,942	(4,002)	(4,166)
Additions to Other Assets	(6,850)	-	-
Other	-	-	375
Net Cash Used in Investing Activities	(56,315)	(172,036)	(154,070)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (Payments) Borrowings on Credit Facilities	(132,980)	170,000	15,000
Payments of Long-term Debt	(390)	(348)	(1,530)
Proceeds from Issuances of Common Stock	13,731	3,280	3,667
Purchases of Treasury Stock	(17,077)	(150,350)	-
Net Cash (Used in) Provided by Financing Activities	(136,716)	22,582	17,137
Net Increase (Decrease) in Cash and Cash Equivalents	7,907	(3,879)	(17,838)
Cash and Cash Equivalents at Beginning of Year	23,194	27,073	44,911
Cash and Cash Equivalents at End of Year	$ 31,101	$ 23,194	$ 27,073
CASH PAID DURING THE YEAR:			
Interest, Net of Amounts Capitalized	$ 11,479	$ 7,459	$ 4,188
Income Taxes	$ 31,807	$ 26,240	$ 24,558
NON-CASH TRANSACTIONS DURING THE YEAR:			
Tax Benefit from Stock Options Exercised	$ 4,570	$ 1,215	$ 729
Common Stock Issued in Connection with Acquisitions	$ -	$ -	$ 71,765
Notes Received in Connection with Sales of Concepts	$ -	$ -	$ 9,800

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
Notes to Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The consolidated financial statements include the accounts of Brinker International, Inc. and its wholly-owned subsidiaries ("Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. The Company owns and operates, or franchises, various restaurant concepts principally located in the United States. Investments in unconsolidated affiliates in which the Company exercises significant influence, but does not control, are accounted for by the equity method, and the Company's share of the net income or loss is included in other, net in the consolidated statements of income.

The Company has a 52/53 week fiscal year ending on the last Wednesday in June. The fiscal years 1998, 1997, and 1996, which ended on June 24, 1998, June 25, 1997, and June 26, 1996, respectively, all contained 52 weeks.

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform with fiscal 1998 classifications.

(b) Financial Instruments

The Company's policy is to invest cash in excess of operating requirements in income-producing investments. Cash invested in instruments with maturities of three months or less at the time of investment is reflected as cash equivalents. Cash equivalents of $319,000 and $7.4 million at June 24, 1998 and June 25, 1997, respectively, consist primarily of money market funds and commercial paper.

The Company's financial instruments at June 24, 1998 and June 25, 1997 consist of cash equivalents, marketable securities, accounts receivable, short-term debt, and long-term debt. The fair value of these financial instruments approximates the carrying amounts reported in the consolidated balance sheets. The following methods were used in estimating the fair value of each class of financial instrument: cash equivalents, accounts receivable, and short-term debt approximate their carrying amounts due to the short duration of those items; marketable securities are based on quoted market prices; and long-term debt is based on the amount of future cash flows discounted using the Company's expected borrowing rate for debt of comparable risk and maturity. None of these financial instruments are

held for trading purposes.

(c) Inventories

Inventories, which consist of food, beverages, and supplies, are stated at the lower of cost (weighted average cost method) or market.

(d) Property and Equipment

Buildings and leasehold improvements are amortized using the straight-line method over the lesser of the life of the lease, including renewal options, or the estimated useful lives of the assets, which range from 5 to 20 years. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 8 years.

(e) Capitalized Interest

Interest costs capitalized during the construction period of restaurants were approximately $3.6 million, $4.5 million, and $4.4 million during fiscal 1998, 1997, and 1996, respectively.

(f) Advertising

Advertising costs are expensed as incurred. Advertising costs were $60.6 million, $47.0 million, and $41.2 million in fiscal 1998, 1997, and 1996, respectively, and are included in restaurant expenses in the consolidated statements of income.

(g) Preopening Costs

Capitalized preopening costs include the direct and incremental costs typically associated with the opening of a new restaurant which primarily consist of costs incurred to develop new restaurant management teams, travel and lodging for both the training and opening unit management teams, and the food, beverage, and supplies costs incurred to perform role play testing of all equipment, concept systems, and recipes. Preopening costs are included in other assets and amortized over a period of twelve months.

(h) Goodwill and Other Intangible Assets

Intangible assets include both goodwill and identifiable intangibles arising from the allocation of the purchase prices of assets acquired. Goodwill represents the residual purchase price after allocation to all identifiable net assets of businesses acquired. Other intangibles consist mainly of reacquired franchise rights, trademarks, and intellectual property. All intangible assets are stated at historical cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over 30 to 40 years for goodwill and 15 to 25 years for other intangibles. The Company assesses the recoverability of intangible assets by determining whether the asset balance can be recovered over its remaining life through undiscounted future operating cash flows of the acquired asset. The amount of impairment, if any, is measured based on projected discounted future operating cash flows. Management believes that no impairment of intangible assets has occurred and that no reduction of the related estimated useful lives is warranted. Accumulated amortization for goodwill was $6.5 million and $4.3 million as of June 24, 1998 and June 25, 1997, respectively. Accumulated amortization for other intangible assets was $691,000 and $257,000 as of June 24, 1998 and June 25, 1997, respectively.

(i) Recoverability of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards No. 121 ("SFAS No. 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," the Company evaluates long-lived assets and certain identifiable intangibles to be held and used in the business for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment is determined by comparing estimated undiscounted future operating cash flows to the carrying amounts of assets. If an impairment exists, the amount of impairment is measured as the sum of the estimated discounted future operating cash flows of such asset and the expected proceeds upon sale of the asset less its carrying amount. The adoption of SFAS No. 121 in fiscal 1997 did not have a material effect on the Company's consolidated financial statements.

(j) Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement

carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(k) Treasury Stock

During fiscal 1998, pursuant to a $50 million plan approved by the Company's Board of Directors, the Company repurchased $17 million of its common stock (809,000 shares) in accordance with applicable securities regulations. The repurchased common stock will be used by the Company to satisfy obligations under its savings and stock option plans and for other corporate purposes. The repurchased common stock is reflected as a reduction of shareholders' equity. During fiscal 1997, the Company repurchased approximately $150 million of its common stock (12.5 million shares) under a similar plan.

(l) Derivative Instruments

The Company's policy prohibits the use of derivative instruments for trading purposes and the Company has procedures in place to monitor and control their use. The Company's use of derivative instruments is primarily limited to interest rate swaps and forwards which are entered into with the intent of managing overall borrowing costs.

As of June 24, 1998, the Company was not involved in any derivative instruments. During 1998 and 1997, the Company participated in interest rate forwards to effectively fix the interest rate in anticipation of a sale and leaseback of certain real estate assets which was executed in 1998. These forwards were designated as hedges and the resulting loss on settlement was deferred and is being amortized to rent expense over the life of the lease.

(m) Stock-Based Compensation

In accordance with Accounting Principles Board No. 25, the Company uses the intrinsic value-based method for measuring stock-based compensation cost which measures compensation cost as the excess, if any, of the quoted market price of Company common stock at the grant date over the amount the employee must pay for the stock. The Company's policy is to grant stock options at fair value at the date of grant. Proceeds from the exercise of common stock options issued to officers, directors, and key employees under the Company's stock option plans are credited to common stock to the extent of par value and to additional paid-in capital for the excess. Required pro forma disclosures of compensation expense determined under the fair value method of Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation," are presented in Note 9.

(n) Net Income Per Share

During fiscal 1998, the Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS No. 128"), "Earnings per Share." SFAS No. 128 requires disclosure of basic and diluted earnings per share. In accordance with SFAS No. 128, all prior period earnings per share have been restated. Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted net income per share, the basic weighted average number of shares is increased by common equivalent shares (stock options) determined using the treasury stock method based on the average market price exceeding the exercise price of the stock options.

(o) Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and costs and expenses during the reporting period. Actual results could differ from those estimates.

2. ACQUISITIONS

During the three years ended June 24, 1998, the Company completed the acquisitions set forth below. These acquisitions were accounted for as purchases and the excess of cost over the fair values of the net assets

acquired was recorded as goodwill and the operations of the related restaurants are included in the Company's consolidated results of operations from the dates of acquisition. The operations of the restaurants acquired are not material.

On December 19, 1997, the Company acquired 3 Chili's restaurants from a franchisee for approximately $2.7 million in cash. Goodwill resulting from this transaction was not material.

On October 1, 1996, the Company acquired 13 Chili's restaurants from a franchisee for approximately $16.2 million in cash. Goodwill of approximately $7.3 million is being amortized on a straight-line basis over 30 years.

On July 19, 1995, the Company acquired the remaining 50% interest in its Cozymel's restaurant concept in exchange for 430,769 shares of Company common stock representing a cost of approximately $7.6 million. On August 29, 1995, the Company acquired the Maggiano's Little Italy and Corner Bakery concepts in exchange for 4.0 million shares of its common stock representing a cost of approximately $57.9 million. Goodwill of approximately $7.6 million and $57.5 million, respectively, is being amortized on a straight-line basis over 40 years.

3. RESTRUCTURING RELATED ITEMS

The Company recorded a $50 million restructuring charge during the second quarter of fiscal 1996 related to the adoption of a strategic plan which included the disposition or conversion of 30 to 40 Company-owned restaurants that had not met management's financial return expectations. The charge resulted in a reduction in net income of approximately $32.5 million ($0.42 per diluted share) and primarily relates to the write-down of property and equipment to net realizable value, costs to settle lease obligations, and the write-off of other assets. Through fiscal 1998, $47.1 million of restructuring costs have been incurred, of which $5.6 million were cash payments primarily for lease obligations and $41.5 million were non-cash charges primarily for asset write-downs. The restructuring actions were substantially completed in fiscal 1997. The results of operations from restaurants that have been disposed are not material. In addition, the Company completed the sales of the Grady's American Grill, Spageddies Italian Kitchen, and Kona Ranch Steak House concepts during the second quarter of fiscal 1996, recognizing a gain of approximately $9.3 million.

4. MARKETABLE SECURITIES

At June 24, 1998 and June 25, 1997, marketable securities (primarily investment-grade preferred stock) are classified as available-for-sale. The cost and fair value of marketable securities at June 24, 1998 and June 25, 1997 are as follows (in thousands):

	1998	1997
Cost	$ 51	$ 24,013
Gross unrealized holding gains	-	483
Gross unrealized holding losses	-	(27)
Fair value	$ 51	$ 24,469

Realized gains and realized losses are determined on a specific identification basis. Realized gains and realized losses from investment transactions were $427,000 and $0 during fiscal 1998, $313,000 and $646,000 during fiscal 1997, and $38,000 and $949,000 during fiscal 1996. Interest and dividend income during fiscal 1998, 1997, and 1996 was $943,000, $5.0 million, and $5.1 million, respectively. Realized gains and realized losses as well as interest and dividend income are included in other, net in the consolidated statements of income.

5. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	1998	1997
Payroll	$ 39,752	$ 26,798
Insurance	11,718	9,075
Property tax	9,754	8,944
Sales tax	8,759	7,514
Other	15,869	19,882
	$ 85,852	$ 72,213

6. INCOME TAXES

The provision for income taxes consists of the following (in thousands):

	1998	1997	1996
Current income tax expense:			
Federal	$ 34,347	$ 22,471	$ 22,222
State	3,408	3,352	3,847
Total current income tax expense	37,755	25,823	26,069
Deferred income tax expense (benefit):			
Federal	(1,212)	4,113	(7,343)
State	(160)	544	(970)
Total deferred income tax expense (benefit)	(1,372)	4,657	(8,313)
	$ 36,383	$ 30,480	$ 17,756

A reconciliation between the reported provision for income taxes and the amount computed by applying the statutory Federal income tax rate of 35% to income before provision for income taxes follows (in thousands):

	1998	1997	1996
Income tax expense at statutory rate	$ 36,910	$ 31,845	$ 18,248
FICA tax credit	(3,575)	(2,925)	(2,382)
Net investment activities	(102)	(688)	(405)
State income taxes, net of Federal benefit	2,217	1,872	1,657
Other	933	376	638
	$ 36,383	$ 30,480	$ 17,756

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities as of June 24, 1998 and June 25, 1997 are as follows (in thousands):

	1998	1997
Deferred income tax assets:		
Insurance reserves	$ 12,361	$ 8,034
Leasing transactions	2,034	2,099
Other, net	12,936	11,240
Total deferred income tax assets	27,331	21,373
Deferred income tax liabilities:		
Depreciation and capitalized interest on property and equipment	16,664	12,467
Prepaid expenses	7,580	7,034
Preopening costs	3,258	3,432
Goodwill and other amortization	1,697	819
Other, net	3,136	3,997
Total deferred income tax liabilities	32,335	27,749
Net deferred income tax liability	$ 5,004	$ 6,376

7. DEBT

The Company has credit facilities aggregating $360 million at June 24, 1998. A credit facility of $260 million bears interest at LIBOR (5.66% at June 24, 1998) plus a maximum of .50% and expires in fiscal 2002. At June 24, 1998, $55 million was outstanding under this facility. The remaining credit facilities bear interest based upon the lower of the banks' "Base" rate, certificate of deposit rate, negotiated rate, or LIBOR rate plus .375%, and expire during fiscal years 1999 and 2000. Unused credit facilities available to the Company were approximately $292.2 million at June 24, 1998. Obligations under the Company's credit facilities, which require short-term repayments, have been classified as long-term debt, reflecting the Company's intent and ability to refinance these borrowings through the existing credit facilities.

Long-term debt consists of the following (in thousands):

	1998	1997
7.8% senior notes	$ 100,000	$ 100,000
Credit Facilities	59,495	185,000
Capital lease obligations (see Note 8)	2,411	2,801
	161,906	287,801
Less current installments	14,618	280
	$ 147,288	$ 287,521

The $100 million of unsecured senior notes bear interest at an annual rate of 7.8%. Interest is payable semi-annually and the Company is required to pay 14.3% (or $14.3 million) of the original principal balance annually beginning in fiscal 1999 through fiscal 2004 with the remaining unpaid balance due in fiscal 2005.

The Company is the guarantor of $10 million of an unsecured line of credit which permits borrowing of up to $30 million for certain franchisees. The outstanding balance at June 24, 1998 was $6.7 million.

8. LEASES

(a) Capital Leases

The Company leases certain buildings under capital leases. The asset values of $6.5 million and $6.9 million at June 24, 1998 and June 25, 1997, and the related accumulated amortization of $5.6 million and $5.7 million at June 24, 1998 and June 25, 1997, respectively, are included in property and equipment.

(b) Operating Leases

The Company leases restaurant facilities, office space, and certain equipment under operating leases having terms expiring at various dates through fiscal 2022. The restaurant leases have renewal clauses of 1 to 30 years at the option of the Company and have provisions for contingent rent based upon a percentage of gross sales, as defined in the leases. Rent expense for fiscal 1998, 1997, and 1996 was $55.4 million, $41.0 million, and $37.9 million, respectively. Contingent rent included in rent expense for fiscal 1998, 1997, and 1996 was $4.9 million, $3.1 million, and $3.2 million, respectively.

In July 1993, the Company entered into operating lease agreements with unaffiliated groups to lease certain restaurant sites. During fiscal 1995 and 1994, the Company utilized the entire commitment of approximately $30 million for the development of restaurants leased by the Company. Since inception of the commitment, the Company has retired several properties in the commitment which thereby reduced the outstanding balance. At the expiration of the lease term, the Company has, at its option, the ability to purchase all of the properties, or to guarantee the residual value related to the remaining properties, which is currently approximately $20.9 million. Based on the analysis of the operations of these properties, the Company believes the properties support the guaranteed residual value.

In July 1997, the Company entered into an equipment leasing facility pursuant to which the Company may lease up to $55 million of equipment. Of this amount, the Company has received commitments to fund up to $47.5 million of the facility. As of June 24, 1998, $24.4 million of the leasing facility has been utilized, including a $10.2 million sale and leaseback of existing equipment. The facility, which is accounted for as an operating lease, expires in fiscal 2003 and does not provide for a renewal. At the end of the lease term, the Company has the option to purchase all of the leased equipment for an amount equal to the unamortized lease balance, which amount will be approximately 75% of the total amount funded through the facility. The Company believes that the future cash flows related to the equipment support the unamortized lease balance.

In November 1997, the Company executed a $124.0 million sale and leaseback of certain real estate assets. The $8.7 million gain resulting from the sale, along with certain transaction costs, was deferred and will be amortized over the 20-year term of the operating lease. The net proceeds from the sale were used to retire $115.0 million of the Company's credit facilities.

(c) Commitments

At June 24, 1998, future minimum lease payments on capital and operating leases were as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases
1999	$ 609	$ 53,440
2000	584	52,734
2001	566	50,574
2002	566	47,406
2003	566	46,200
Thereafter	578	354,659
Total minimum lease payments	3,469	$605,013
Imputed interest (average rate of 11.5%)	1,058	
Present value of minimum lease payments	2,411	
Less current installments	318	
Capital lease obligations - noncurrent	$2,093	

At June 24, 1998, the Company had entered into other lease agreements for restaurant facilities currently under construction or yet to be constructed. In addition to a base rent, the leases also contain provisions for additional contingent rent based upon gross sales, as defined in the leases. Classification of these leases as capital or operating has not been determined as construction of the leased properties has not been completed.

9. STOCK OPTION PLANS

(a) 1983 and 1992 Employee Incentive Stock Option Plans

In accordance with the Incentive Stock Option Plans adopted in October 1983 and November 1992, options to purchase approximately 20.8 million shares of Company common stock may be granted to officers, directors, and key employees. Options are granted at market value on the date of grant, are exercisable beginning one to two years from the date of grant, with various vesting periods, and expire ten years from the date of grant.

In October 1993, the 1983 Incentive Stock Option Plan expired. Consequently, no options were granted under that Plan subsequent to fiscal 1993. Options granted prior to the expiration of this Plan remain exercisable through April 2003.

Transactions during fiscal 1998, 1997, and 1996 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	1998	1997	1996	1998	1997	1996
Options outstanding at beginning of year	9,458	9,049	7,570	$14.13	$14.52	$14.79
Granted	1,661	1,842	2,287	14.07	11.79	12.96
Exercised	(1,068)	(383)	(425)	10.76	6.83	8.61
Canceled	(309)	(1,050)	(383)	16.03	16.03	17.47
Options outstanding at end of year	9,742	9,458	9,049	$14.43	$14.13	$14.52
Options exercisable at end of year	5,556	4,735	4,298	$15.60	$14.61	$12.85

	Options Outstanding			Options Exercisable	
Range of exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
$ 2.45-$6.12	473	1.51	$ 5.61	473	$ 5.61
$10.89-$14.56	5,829	7.39	12.59	1,992	12.54
$15.25-$19.33	2,326	5.94	17.66	1,977	18.02
$20.38-$26.83	1,114	5.97	21.02	1,114	21.02
	9,742	6.59	$14.43	5,556	$15.60

(b) 1984 Non-Qualified Stock Option Plan

In accordance with the Non-Qualified Stock Option Plan adopted in December 1984, options to purchase approximately 5 million shares of Company common stock were authorized for grant. Options were granted at market value on the date of grant, are exercisable beginning one year from the date of grant, with various vesting periods, and expire ten years from the date of grant.

In November 1989, the Non-Qualified Stock Option Plan was terminated. Consequently, no options were granted subsequent to fiscal 1990. Options granted prior to the termination of this plan remain exercisable through June 1999.

Transactions during fiscal 1998, 1997, and 1996 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	1998	1997	1996	1998	1997	1996
Options outstanding at beginning of year	481	544	548	$ 3.75	$ 3.66	$ 3.63
Exercised	(371)	(61)	(4)	3.02	2.95	0.35
Canceled	-		(2)	-	-	2.45
Options outstanding and exercisable at end of year	110	481	544	$ 6.21	$ 3.75	$ 3.66

At June 24, 1998, the exercise price for options outstanding was $5.30 with a weighted average remaining contractual life of 1.26 years.

(c) 1991 Non-Employee Stock Option Plan

In accordance with the Stock Option Plan for Non-Employee Directors and Consultants adopted in May 1991, options to purchase 587,500 shares of Company common stock were authorized for grant. Options are granted at market value on the date of grant, vest one-third each year beginning two years from the date of grant, and expire ten years from the date of grant.

Transactions during fiscal 1998, 1997, and 1996 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	1998	1997	1996	1998	1997	1996
Options outstanding at beginning of year	201	202	204	$16.10	$16.21	$16.07
Granted	52	3	3	16.40	16.88	17.50
Exercised	(23)	-	-	12.60	-	-
Canceled	-	(4)	(5)	-	23.61	11.22
Options outstanding at end of year	230	201	202	$16.51	$16.10	$16.21
Options exercisable at end of year	174	155	106	$16.52	$15.25	$13.16

At June 24, 1998, the range of exercise prices for options outstanding was $11.22 to $23.92 with a weighted average remaining contractual life of 6.01 years.

(d) On The Border 1989 Stock Option Plan

In accordance with the Stock Option Plan for On The Border employees and consultants, options to purchase 550,000 shares of On The Border's preacquisition common stock were authorized for grant. Effective May 18, 1994, the 376,000 unexercised On The Border stock options became exercisable immediately in accordance with the provisions of the Stock Option Plan and were converted to approximately 124,000 Company stock options and expire ten years from the date of original grant.

Transactions during fiscal 1998, 1997, and 1996 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	1998	1997	1996	1998	1997	1996
Options outstanding at beginning of year	36	63	109	$19.38	$19.03	$18.83
Exercised	(1)	(5)	(17)	18.24	17.99	18.54
Canceled	-	(22)	(29)	-	18.68	18.58
Options outstanding and exercisable at end of year	35	36	63	$19.39	$19.38	$19.03

At June 24, 1998, the range of exercise prices for options outstanding was $18.24 to $19.76 with a weighted average remaining contractual life of 4.74 years.

The Company has adopted the disclosure-only provisions of SFAS No. 123. Accordingly, no compensation cost has been recognized for Company stock option plans. Pursuant to the employee compensation provisions of SFAS No. 123, the Company's net income per common and equivalent share would have been reduced to the pro forma amounts indicated below (in thousands, except per share data).

	1998	1997	1996
Net income - as reported	$ 69,075	$ 60,505	$ 34,381
Net income - pro forma	$ 62,745	$ 56,943	$ 32,857
Diluted net income per share - as reported	$ 1.02	$ 0.81	$ 0.44
Diluted net income per share - pro forma	$ 0.93	$ 0.76	$ 0.42

The fair value of each option grant is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	1998	1997	1996
Expected volatility	41.5%	39.7%	36.0%

Risk-free interest rate	5.8%	6.2%	5.7%
Expected lives	5 years	5 years	5 years
Dividend yield	0.0%	0.0%	0.0%

The pro forma disclosures provided are not likely to be representative of the effects on reported net income for future years due to future grants and the vesting requirements of the Company's stock option plans.

10. STOCKHOLDER PROTECTION RIGHTS PLAN

The Company maintains a Stockholder Protection Rights Plan (the "Plan"). Upon implementation of the Plan, the Company declared a dividend of one right on each outstanding share of common stock. The rights are evidenced by the common stock certificates, automatically trade with the common stock, and are not exercisable until it is announced that a person or group has become an Acquiring Person, as defined in the Plan. Thereafter, separate rights certificates will be distributed and each right (other than rights beneficially owned by any Acquiring Person) will entitle, among other things, its holder to purchase, for an exercise price of $60, a number of shares of Company common stock having a market value of twice the exercise price. The rights may be redeemed by the Board of Directors for $0.01 per right prior to the date of the announcement that a person or group has become an Acquiring Person.

11. SAVINGS PLANS

The Company sponsors a qualified defined contribution retirement plan ("Plan I") covering salaried employees who have completed one year or 1,000 hours of service. Plan I allows eligible employees to defer receipt of up to 20% of their compensation and contribute such amounts to various investment funds. The Company matches with its common stock 25% of the first 5% an employee contributes. Employee contributions vest immediately while Company contributions vest 25% annually beginning in the participants' second year of eligibility since plan inception. In fiscal 1998, 1997, and 1996, the Company contributed approximately $600,000 (representing 28,279 shares of Company common stock), $432,000 (representing 30,438 shares of Company common stock), and $362,000 (representing 23,582 shares of Company common stock), respectively.

The Company sponsors a non-qualified defined contribution retirement plan ("Plan II") covering highly compensated employees, as defined in the plan. Plan II allows eligible employees to defer receipt of up to 20% of their base compensation and 100% of their eligible bonuses, as defined in the plan. The Company matches with its common stock 25% of the first 5% a non-officer contributes while officers' contributions are matched at the same rate with cash. Employee contributions vest immediately while Company contributions vest 25% annually beginning in the participants' second year of employment since plan inception. In fiscal 1998, 1997, and 1996, the Company contributed approximately $298,000 (of which approximately $181,000 was used to purchase 9,584 shares of Company common stock), $215,000 (of which approximately $138,000 was used to purchase 9,347 shares of Company common stock), and $260,000 (of which approximately $165,000 was used to purchase 10,584 shares of Company common stock), respectively. At the inception of Plan II, the Company established a Rabbi Trust to fund Plan II obligations. The market value of the trust assets is included in other assets and the liability to Plan II participants is included in other liabilities.

12. CONTINGENCIES

The Company is engaged in various 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 which are expected to have a material adverse effect on the Company's consolidated financial condition or results of operations.

13. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table summarizes the unaudited consolidated quarterly results of operations for fiscal 1998 and 1997(in thousands, except per share amounts):

	Fiscal Year 1998 Quarters Ended			
	Sept. 24	Dec. 24	March 25	June 24
Revenues	$375,963	$374,502	$401,002	$422,947
Income Before Provision for Income Taxes	25,223	20,398	24,626	35,211
Net Income	16,521	13,361	16,130	23,063
Basic Net Income Per Share	0.25	0.20	0.24	0.35
Diluted Net Income Per Share	0.25	0.20	0.24	0.34
Basic Weighted Average Shares Outstanding	65,272	65,593	65,894	66,364
Diluted Weighted Average Shares Outstanding	66,635	66,925	67,596	68,674

	Fiscal Year 1997 Quarters Ended			
	Sept. 25	Dec. 25	March 26	June 25
Revenues	$308,665	$310,925	$345,510	$370,237
Income Before Provision for Income Taxes	24,631	17,511	20,048	28,795
Net Income	16,380	11,644	13,332	19,149
Basic and Diluted Net Income Per Share	0.21	0.15	0.18	0.29
Basic Weighted Average Shares Outstanding	77,277	77,460	74,248	66,015
Diluted Weighted Average Shares Outstanding	78,463	78,948	75,224	66,834

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Brinker International, Inc.:

We have audited the accompanying consolidated balance sheets of Brinker International, Inc. and subisdiaries as of June 24, 1998 and June 25, 1997, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three-year period ended June 24, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Brinker International, Inc. and subsidiaries as of June 24, 1998 and June 25, 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended June 24, 1998 in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Dallas, Texas
July 29, 1998

EXHIBIT 21

BRINKER INTERNATIONAL, INC., A DELAWARE CORPORATION

SUBSIDIARIES

REGISTRANT'S subsidiaries operate full-service restaurants in various locations throughout the United States under the names Chili's Grill & Bar, Romano's Macaroni Grill, On The Border Mexican Cafe, Cozymel's Coastal Mexican Grill, Maggiano's Little Italy, Corner Bakery, and a market store and bakery under the name Eatzi's Market and Bakery.

BRINKER RESTAURANT CORPORATION, a Delaware corporation
MAGGIANO'S/CORNER BAKERY, INC., an Illinois corporation
BRINKER ALABAMA, INC., a Delaware corporation
BRINKER ARKANSAS, INC., a Delaware corporation
BRINKER AUSTRALIA PTY LIMITED, an Australian corporation
BRINKER CONNECTICUT CORPORATION, a Delaware corporation
BRINKER DELAWARE, INC., a Delaware corporation
BRINKER FLORIDA, INC., a Delaware corporation
BRINKER GEORGIA, INC., a Delaware corporation
BRINKER INDIANA, INC., a Delaware corporation
BRINKER IOWA, INC., a Delaware corporation
BRINKER KENTUCKY, INC., a Delaware corporation
BRINKER LOUISIANA, INC., a Delaware corporation
BRINKER MASSACHUSETTS CORPORATION, a Delaware corporation
BRINKER MISSOURI, INC., a Delaware corporation
BRINKER MISSISSIPPI, INC., a Delaware corporation
BRINKER OF MONTGOMERY COUNTY, INC., a Maryland corporation
BRINKER NEVADA, INC., a Nevada corporation
BRINKER NEW JERSEY, INC., a Delaware corporation
BRINKER NORTH CAROLINA, INC., a Delaware corporation
BRINKER OHIO, INC., a Delaware corporation
BRINKER OKLAHOMA, INC., a Delaware corporation
BRINKER SOUTH CAROLINA, INC., a Delaware corporation
BRINKER UK CORPORATION, a Delaware corporation
BRINKER VIRGINIA, INC., a Delaware corporation
BRINKER TEXAS, L.P., a Texas limited partnership
CHILI'S BEVERAGE COMPANY, INC., a Texas corporation
CHILI'S, INC., a Tennessee corporation
CHILI'S OF MINNESOTA, INC., a Minnesota corporation
CHILI'S OF KANSAS, INC., a Kansas corporation
BRINKER PENN TRUST, a Pennsylvania business trust
CHILI'S OF WEST VIRGINIA, INC., a West Virginia corporation
CHILI'S OF WISCONSIN, INC., a Wisconsin corporation
BRINKER FREEHOLD, INC., a New Jersey corporation
MAGGIANO'S OF TYSON'S, INC., a Virginia corporation
ROMANO'S OF ANNAPOLIS, INC., a Maryland corporation
CHILI'S OF BEL AIR, INC., a Maryland corporation
CHILI'S OF MARYLAND, INC., a Maryland corporation
BRINKER OF BALTIMORE COUNTY, INC., a Maryland corporation
BRINKER OF HOWARD COUNTY, INC., a Maryland corporation
BRINKER RHODE ISLAND, INC., a Rhode Island corporation
BRINKER OF D.C., INC., a Delaware corporation
CHILI'S, INC., a Delaware corporation
EATZI'S CORPORATION, a Delaware corporation
EATZI'S INVESTMENT COMPANY, a Delaware corporation
EATZI'S TEXAS HOLDING CORPORATION, a Delaware corporation
EATZI'S TEXAS, L.P., a Texas limited partnership
EATZI'S BEVERAGE COMPANY, a Texas corporation
EATZI'S MASSACHUSETTS BEVERAGE CORPORATION, a Massachusetts corporation
EATZI'S OF MONTGOMERY COUNTY, INC., a Delaware corporation
MAGGIANO'S/CORNER BAKERY BEVERAGE COMPANY, a Texas corporation
MAGGIANO'S/CORNER BAKERY HOLDING CORPORATION, a Delaware corporation
MAGGIANO'S/CORNER BAKERY, L.P., a Texas limited partnership

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Brinker International, Inc.:

We consent to incorporation by reference in Registration Statement Nos. 33-61594, 33-56491, and 333-02201 on Form S-8 and Nos. 33-53965, 33-55181, 33-63551, 333-00169, and 333-07481 on Form S-3, of Brinker International, Inc. of our report dated July 29, 1998, relating to the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 24, 1998 and June 25, 1997 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 24, 1998, which report is incorporated by reference in the June 24, 1998 annual report on Form 10-K of Brinker International, Inc.

/KPMG Peat Marwick LLP

Dallas, Texas
September 18, 1998

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONDENSED CONSOLIDATED BALANCE SHEET AND RELATED CONDENSED CONSOLIDATED
STATEMENT OF INCOME OF BRINKER INTERNATIONAL, INC. AS OF AND FOR THE YEAR ENDED
JUNE 24, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL
STATEMENTS.

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12-MOS
JUN-24-1998
JUN-24-1998
31,101
51
20,938
193
13,774
105,497
1,046,397
337,825
989,383
198,067
147,288
0
0
7,815
585,924
989,383
1,559,238
1,574,414
426,558
1,378,469
0
608
11,025
105,458
36,383
69,075
0
0
0
69,075
1.05
1.02

EXHIBIT 99

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information as to the number of shares of Common Stock of the Company beneficially owned by the principal shareholders of the Company.

Name and Address	Beneficial Ownership: Number of Shares	Beneficial Ownership: Percent
The Capital Group Companies, Inc. 333 South Hope Street Los Angeles, California 90071	6,300,000 (1)	9.57%
Capital Guardian Trust Company, Capital International Limited, and Capital International S.A. 333 South Hope Street Los Angeles, California 90071	5,427,460 (2)	8.24%
FMR Corp. 82 Devonshire Street Boston, Massachusetts 02109	5,107,400 (3)	7.76%

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(1) Based on information contained in Schedule 13G dated as of December 31, 1997.

(2) Based on information contained in Schedule 13G dated as of December 31, 1997. The listed companies are affiliated entities.

(3) Based on information contained in Schedule 13G dated as of December 31, 1997.

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SECURITY OWNERSHIP OF MANAGEMENT AND ELECTION OF DIRECTORS

Twelve (12) directors are to be elected at the meeting. Each nominee will be elected to hold office until the next annual meeting of the shareholders or until his or her successor is elected and qualified. To be elected a director, each nominee must receive a plurality of all of the votes cast at the meeting for the election of directors. Should any nominee become unable or unwilling to accept nomination or election, the proxy holders may vote the proxies for the election, in his or her stead, of any other person the Board of Directors may recommend. All nominees have expressed their intention to serve the entire term for which election is sought. The following table sets forth certain information concerning security ownership of management and nominees for election as directors of the Company:

Name	Number of Shares of Common Stock Beneficially Owned as of September 1, 1998 (1)(2)	Number Attributable to Options Exercisable Within 60 Days of September 1, 1998	Percent of Class
Norman E. Brinker	1,984,009 (3)	1,183,750	2.96%
Douglas H. Brooks	414,294	327,470	*
Gerard V. Centioli	64,462 (4)	60,000	*
Ronald A. McDougall	965,022	940,000	1.45%
Russell G. Owens	136,469	115,447	*
Roger F. Thomson	176,000	172,500	*
Donald J. Carty	10,000	-0-	*
Dan W. Cook, III	-0-	-0-	*

Marvin J. Girouard	-0-	-0-	*
J.M. Haggar, Jr.	77,687	23,917	*
Frederick S. Humphries	18,413	17,333	*
Ronald Kirk	-0-	-0-	*
Jeffrey A. Marcus	-0-	-0-	*
James E. Oesterreicher	20,500	20,000	*
Roger T. Staubach	31,500	21,000	*
All executive officers and directors as a group (20 persons)	4,225,094	3,143,970	6.12%

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* Less than one percent (1%)

(1) Beneficial ownership has been determined in accordance with the rules of the Securities and Exchange Commission. Except as noted, and except for any community property interests owned by spouses, the listed individuals have sole investment power and sole voting power as to all shares of stock of which they are identified as being the beneficial owners.

(2) Includes shares of Common Stock which may be acquired by exercise of options vested, or vesting within 60 days of September 1, 1998, under the Company's 1983 Incentive Stock Option Plan, 1984 Non-Qualified Stock Option Plan, 1992 Incentive Stock Option Plan and 1991 Stock Option Plan for Non-Employee Directors and Consultants, as applicable.

(3) Includes 20,250 shares of Common Stock held of record by a family trust of which Mr. Brinker is trustee.

(4) Includes 2,000 shares of Common Stock held of record by a family trust of which Mr. Centioli is trustee.

The Company has established a guideline that all senior officers of the Company own stock in the Company, believing that it is important to further encourage and support an ownership mentality among the senior officers that will continue to align their personal financial interests with the long-term interests of the Company's shareholders. Pursuant to the guideline, the minimum amount of Company Common Stock that a senior officer will be required to own will be determined by such officer's position within the Company as well as annual compensation. The Company has established a program with a third-party lender pursuant to which the senior officers will be able to obtain financing for purposes of attaining the stock ownership levels referred to above. Any loans obtained by such senior officers to finance such stock acquisitions are facilitated by the Company pursuant to an agreement in which the senior officer pledges the underlying stock and future incentive payments which may be receivable from the Company as security for the loan.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

A brief description of each person nominated to become a director of the Company is provided below. All nominees are currently serving as directors of the Company. Each of the current directors was elected at the last annual meeting of the Company's shareholders held on November 6, 1997, except Donald J. Carty, who was appointed to the Board of Directors in June 1998, and Marvin J. Girouard, who was appointed to the Board of Directors in September 1998.

Norman E. Brinker, 67, served as Chairman of the Board of Directors and Chief Executive Officer of the Company from September 1983 to June 1995, with the exception of a brief period during which Mr. Brinker was incapacitated due to an injury.

Mr. Brinker continues to serve as Chairman of the Board of Directors. Mr. Brinker is a member of the Executive and Nominating Committees of the Company. He was the founder of S&A Restaurant Corp., having served as its President from February 1966 through May 1977 and as its Chairman of the Board of Directors and Chief Executive Officer from May 1977 through July 1983. From June 1982 through July 1983, Mr. Brinker served as Chairman of the Board of Directors and Chief Executive Officer of Burger King Corporation, while simultaneously occupying the position of President of The Pillsbury Company Restaurant Group. Mr. Brinker currently serves as a member of the Board of Directors of Haggar Clothing Company.

Ronald A. McDougall, 56, was elected President and Chief Executive Officer of the Company in June 1995 having formerly held the office of President and Chief Operating Officer since 1986. Mr. McDougall joined the Company in 1983 and served as Executive Vice President - Marketing and Strategic Development until his promotion to President. Prior to joining the Company, Mr. McDougall held senior management positions at Proctor and Gamble, Sara Lee, The Pillsbury Company and S&A Restaurant Corp. Mr. McDougall has served as a member of the Board of Directors of the Company since September 1983 and is a member of the Executive and Nominating Committees of the Company. Mr. McDougall serves on the Board of Directors of Excel Communications, Inc.

Gerard V. Centioli, 44, was elected Senior Vice President - Emerging Concepts President and Chief Executive Officer in April 1997. Mr. Centioli joined the Company as Senior Vice President - Maggiano's/Corner Bakery Concepts President and Chief Executive Officer in August 1995 and was named Senior Vice President - Italian Concepts President and Chief Executive Officer in January 1996. Mr. Centioli previously served as Senior Partner of Lettuce Entertain You Enterprises, Inc. (restaurants) and President and Chief Executive Officer of the Maggiano's Little Italy and The Corner Bakery Divisions. Prior to joining Lettuce Entertain You Enterprises, Inc. in 1984, Mr. Centioli served as Vice President - Division President of Collins Foods International, Inc. Mr. Centioli has served as a member of the Board of Directors of the Company since November 1995.

Donald J. Carty, 51, was named Chairman, President and Chief Executive Officer of AMR Corp. and American Airlines, Inc. in May 1998, after serving as President from March 1995 until May 1998. From 1989 to 1995, he served American and AMR as Executive Vice President - Finance and Planning. He joined American in 1978 and held numerous finance and planning positions, with the exception of a two-year hiatus as President and Chief Executive Officer of CP Air in Canada. He is a graduate of Queen's University in Kingston, Ontario and of the Harvard Graduate School of Business Administration. He serves on the Board of Directors of Dell Computer Corporation, the Canada - U.S. Foundation for Educational Exchange, the Greater Dallas Chamber of Commerce and the Dallas Citizens Council. He was elected to the Board of Directors in June 1998.

Dan W. Cook, III, 63, is a limited partner with The Goldman Sachs Group, L.P. (investment banking). Mr. Cook started with The Goldman Sachs Group, L.P. in 1961 and was a partner when he retired in 1992. Mr. Cook is a member of the Executive and Compensation Committees of the Company and has served as a member of the Board of Directors since October 1997. Mr. Cook also serves on the Board of Directors for Centex Corporation. Mr. Cook is a member of the Board of Trustees of Southern Methodist University as well as Vice-Chair of the Edwin L. Cox School of Business Executive Board.

Marvin J. Girouard, 59, is the President and Chief Executive Officer of Pier 1 Imports, Inc., having been elected to the position of President in August 1988 and Chief Executive Officer in June 1998. Mr. Girouard also served as Chief Operating Officer from 1988 to 1998. Mr. Girouard joined Pier 1 Imports in 1975 and has served on its Board of Directors since 1988. He serves as a Director for Tandy Brands Accessories, Inc. and is a member of the Executive Committee for the United States Committee for UNICEF-The United Nations Children's Emergency Fund. Mr. Girouard has served as a member of the Board of Directors of the Company since September 1998.

J. M. Haggar, Jr., 73, is currently the owner of J.M. Haggar, Jr. Investments, a business he has operated since

retiring as Chairman of the Board of Directors of Haggar Clothing Company in February 1995. Mr. Haggar previously held the positions of President and Chief Executive Officer of Haggar Clothing Company until 1991. Mr. Haggar is a member of the Compensation and Audit Committees of the Company and has served as a member of the Company's Board of Directors since April 1985.

Frederick S. Humphries, 62, is the President of Florida A&M University in Tallahassee, Florida, having held this position since 1985. Prior to joining Florida A&M University, Dr. Humphries was President of Tennessee State University in Nashville for over 10 years. Dr. Humphries serves as a member of the USDA Task Force of 1890 Land-Grant Institutions in addition to being involved in various civic and community activities. Dr. Humphries has served on the Board of Directors of the Company since May 1994 and is a member of the Audit Committee of the Company. He is also a member of the Board of Directors of Wal-Mart, Inc.

Ronald Kirk, 44, is currently Mayor of the City of Dallas and a partner in the law firm of Gardere & Wynne. He was elected Mayor in 1995, and previously served as Secretary of State of the State of Texas from 1994 to 1995. Mr. Kirk was engaged in the private practice of law from 1989 to 1994, served as an Assistant City Attorney for Dallas from 1983 to 1989 and as a legislative aide to U.S. Senator Lloyd Bentsen from 1983 to 1989. Mayor Kirk is an honors graduate of Austin College and earned his law degree from The University of Texas. Mayor Kirk has served on the Board of Directors since January 1997 and is a member of the Nominating Committee of the Company.

Jeffrey A. Marcus, 51, is President and Chief Executive Officer of Chancellor Media Corporation (radio broadcasting), a position he has held since May 1998. Previously, Mr. Marcus was Chairman, President and Chief Executive Officer of Marcus Cable Company, a company he formed in 1990 after spending more than 20 years in the cable television industry. Mr. Marcus is active in several civic and charitable organizations. Mr. Marcus has served on the Board of Directors since January 1997 and is a member of the Executive Committee of the Company.

James E. Oesterreicher, 57, is the Chairman of the Board and Chief Executive Officer of J.C. Penney Company, Inc., having been elected to the position of Chairman of the Board in January 1997 and to the position of Chief Executive Officer in January 1995. Mr. Oesterreicher served as Vice Chairman of the Board from 1995 to 1997, as President of JCPenney Stores and Catalog from 1992 to 1995 and as Director of JCPenney Stores from 1988 to 1992. Mr. Oesterreicher has been with the J.C. Penney Company since 1964 where he started as a management trainee. He serves as a Director for various entities, including Texas Utilities Company, Presbyterian Healthcare Systems, National Retail Federation, Circle Ten Council--Boy Scouts of America, National 4-H Council, National Organization on Disability and March of Dimes Birth Defects Foundation. He also serves as a member of the Policy Committee of the Business Roundtable. Mr. Oesterreicher has served as a member of the Board of Directors of the Company since May 1994 and is a member of the Compensation and Nominating Committees of the Company.

Roger T. Staubach, 56, has been Chairman of the Board and Chief Executive Officer of The Staubach Company, a national real estate company specializing in tenant representation, since 1982. He has served as a member of the Board of Directors of the Company since May 1993 and is a member of the Executive Committee of the Company. Mr. Staubach is a 1965 graduate of the U.S. Naval Academy and served four years in the Navy as an officer. In 1968 he joined the Dallas Cowboys professional football team as quarterback and was elected to the National Football League Hall of Fame in 1985. He currently serves on the Board of Directors of American AAdvantage Funds and International Home Foods, Inc., and is active in numerous civic, charity and professional organizations.

Executive Officers

The following persons are executive officers of the Company who are not nominated to serve on the Company's Board of Directors:

Douglas H. Brooks, 46, joined the Company as an Assistant

Manager in February 1978 and was promoted to General Manager in April 1978. In March 1979 Mr. Brooks was promoted to Area Supervisor and in May 1982 to Regional Director. He was again promoted in March 1987 to Senior Vice President-Central Region Operations and to the position of Concept Head and Senior Vice President - Chili's Operations in June 1992. Mr. Brooks became Senior Vice President - Chili's Grill & Bar Concept President in June 1994 and was promoted to his current position of Executive Vice President and Chief Operating Officer in May 1998.

Leslie Christon, 44, was elected Senior Vice President - On The Border President in April 1997, having previously served as Vice President of Operations/On The Border since joining the Company in July 1996. Prior to this time, Ms. Christon held the position of Senior Vice President of Operations of Red Lobster Restaurants from November 1994 to June 1996 and she was with El Chico Restaurants, Inc. from June 1981 to November 1994. Ms. Christon serves on the Board of Directors of the Women's Foodservice Forum and is the past president of the Roundtable for Women in Foodservice, Inc.

Kenneth D. Dennis, 45, joined the Company as a Manager in November 1976 and was promoted to General Manager in June 1978. In February 1979, he became Director of Internal Systems and in September 1983 became Director of Marketing. Mr. Dennis was promoted to Vice President of Marketing in August 1986 and to Senior Vice President of Marketing in August 1993. In February 1997, Mr. Dennis became Senior Vice President - Chief Operating Officer of Cozymel's and was elected to Senior Vice President - Cozymel's President in September 1997. Mr. Dennis serves on the Board of Directors of the Marketing Executives Group and is the past Co-Chairman.

Todd E. Diener, 41, joined the Company as a Chili's Manager Trainee in November 1981. In May 1983, Mr. Diener was promoted to General Manager and in April 1985 to Area Director. He was promoted to Regional Director in 1987, Regional Vice President in 1989, Senior Vice President/Chief Operating Officer in July 1996 and in May 1998, Mr. Diener was promoted to Senior Vice President - - Chili's Grill & Bar Concept President.

Carol E. Kirkman, 41, was appointed Executive Vice President of Human Resources in June 1997 after serving as Senior Vice President of Human Resources since April 1996. Ms. Kirkman joined the Company as Corporate Counsel in 1990 and was promoted to Vice President/Assistant General Counsel in 1994. Ms. Kirkman was an attorney in private practice in Dallas, Texas, from 1982 until 1987 and worked as a commercial and retail real estate broker in southern California from 1987 until 1990.

John C. Miller, 43, joined the Company as Vice President-Special Concepts in September 1987. In October 1988, he was elected as Vice President - Joint Venture/Franchise and served in this capacity until August 1993 when he was promoted to Senior Vice President - New Concept Development. Mr. Miller was named Senior Vice President - Mexican Concepts in September 1994 and was subsequently elected Senior Vice President - Mexican Concepts President in October 1995. In April 1997, Mr. Miller was elected Senior Vice President - Romano's Macaroni Grill President. Prior to joining the Company, Mr. Miller worked in various capacities with the Taco Bueno Division of Unigate Restaurants.

Russell G. Owens, 39, joined the Company in 1983 as Controller. He was elected Vice President of Planning in 1986 and Vice President of Operations Analysis in 1991. Mr. Owens was promoted to Senior Vice President of Operations Analysis in 1993 and was named Senior Vice President of Strategic Development - Italian Concepts in 1996. Mr. Owens was elected Executive Vice President and Chief Strategic Officer in June 1997 and became Chief Financial and Strategic Officer in September 1997. Prior to joining the Company, Mr. Owens worked for the public accounting firm, Deloitte & Touche.

Roger F. Thomson, 49, joined the Company as Senior Vice President, General Counsel and Secretary in April 1993 and was promoted to Executive Vice President, General Counsel and Secretary in March 1994. In June 1996, Mr. Thomson was promoted to the position of Executive Vice President, Chief Administrative Officer, General Counsel and Secretary and was a Director of the Company from 1993 until 1995. From 1988 until April 1993, Mr. Thomson served as Senior Vice President, General Counsel and

Secretary for Burger King Corporation. Prior to 1988, Mr. Thomson spent ten years at S & A Restaurant Corp. where he was Executive Vice President, General Counsel and Secretary.

Classes of Directors

For purposes of determining whether non-employee directors will be nominated for reelection to the Board of Directors, the non-employee directors have been divided into four classes. Each non-employee director will continue to be subject to reelection by the shareholders of the Company each year. However, after a non-employee director has served on the Board of Directors for four years, such director shall be deemed to have been advised by the Nominating Committee that he or she will not stand for reelection at the subsequent annual meeting of shareholders and shall be considered a "Retiring Director." Notwithstanding this policy, the Nominating Committee may determine that it is appropriate to renominate any or all of the Retiring Directors after first considering the appropriateness of nominating new candidates for election to the Board of Directors. The four classes of non-employee directors are as follows: Messrs. Girouard, Humphries and Oesterreicher comprise Class 1 and will be considered Retiring Directors as of the annual meeting of shareholders following the end of the 2002 fiscal year. There are no members of Class 2. Messrs. Haggar, Kirk and Marcus comprise Class 3 and will be considered Retiring Directors as of the annual meeting of shareholders following the end of the 2000 fiscal year. Messrs. Carty, Cook and Staubach comprise Class 4 and will be considered Retiring Directors as of the annual meeting of shareholders following the end of the 2001 fiscal year.

Committees of the Board of Directors

The Board of Directors of the Company has established an Executive Committee, Audit Committee, Compensation Committee, and Nominating Committee. The Executive Committee (currently comprised of Messrs. Brinker, McDougall, Cook, Marcus, and Staubach) met four (4) times during the fiscal year. The Executive Committee reviews material matters during the intervals between Board meetings, provides advice and counsel to Company management during such intervals, and has the authority to act for the Board on most matters during the intervals between Board meetings. In addition, the Executive Committee is also charged with assuring that the Company has a satisfactory succession management plan for all key management positions.

All of the members of the Audit and Compensation Committees are directors independent of management who are not and never have been officers or employees of the Company. The Audit Committee is currently comprised of Messrs. Haggar and Humphries and met four (4) times during the fiscal year. Included among the functions performed by the Audit Committee are: the review with independent auditors of the scope of the audit and the results of the annual audit by the independent auditors, consideration and recommendation to the Board of the selection of the independent auditors for the next year, the review with management and the independent auditors of the annual financial statements of the Company, and the review of the scope and adequacy of internal audit activities.

The Compensation Committee is currently comprised of Messrs. Cook, Haggar and Oesterreicher and it met four (4) times during the fiscal year. Functions performed by the Compensation Committee include: reviewing the performance of the Chief Executive Officer, approving key executive promotions, ensuring the reasonableness and appropriateness of senior management compensation arrangements and levels, the adoption, amendment and administration of stock-based incentive plans (subject to shareholder approval where required), management of the various stock option plans of the Company, approval of the total number of available shares to be used each year in stock-based plans, and approval of the adoption and amendment of significant compensation plans. The specific nature of the Committee's responsibilities as they relate to executive officers is set forth below under "Report of the Compensation Committee."

The purposes of the Nominating Committee are to recommend to the Board of Directors potential non-employee members to be added as new or replacement members to the Board of Directors, to review the compensation paid to non-management Board members, and

to recommend corporate governance guidelines to the full Board of Directors. The Nominating Committee will consider a shareholder-recommended nomination for director to be voted upon at the 1999 annual meeting of shareholders provided that the recommendation must be in writing, set forth the name and address of the nominee, contain the consent of the nominee to serve, and be submitted on or before May 21, 1999. The Nominating Committee is composed of Messrs. Brinker, McDougall, Kirk and Oesterreicher and it met two (2) times during the fiscal year.

Directors' Compensation

Directors who are not employees of the Company receive $1,000 for each meeting of the Board of Directors attended and $1,000 for each meeting of any committee of the Board of Directors attended. The Company also reimburses directors for costs incurred by them in attending meetings of the Board.

Directors who are not employees of the Company receive grants of stock options under the Company's 1991 Stock Option Plan for Non-Employee Directors and Consultants. A new director who is not an employee of the Company will receive as compensation (a) 20,000 stock options at the beginning of such director's term, and (b) an annual payment of $36,000, at least 25% of which must be taken in the form of stock options. If a director is appointed to the Board of Directors at any time other than at an annual meeting of shareholders, the director will receive a prorated portion of the annual cash compensation for the period from the date of election or appointment to the Board of Directors until the meeting of the Board of Directors held contemporaneous with the next annual meeting of shareholders. If a director elects to receive cash, the first payment will be made at the Board of Directors' meeting held contemporaneous with the next annual meeting of shareholders. The stock options will be granted as of the 60th day following such meeting (or if the 60th day is not a business day, on the first business day thereafter) at the fair market value on the date of grant. One-third (1/3) of the options will vest on each of the second, third and fourth anniversaries of the date of grant. If a director is a Retiring Director who is being nominated for an additional term on the Board of Directors, each such renominated director will receive an additional grant of 10,000 stock options at the beginning of such director's new term.

For purposes of applying this compensation program to the current non-employee directors of the Company, the previous compensation program was blended with this compensation program in order to determine annual compensation payable to non-employee directors until such directors become Retiring Directors and leave the Board or are approved by the Nominating Committee to serve for an additional four years. Dr. Humphries previously has received a grant of 15,000 stock options and has received an annual cash retainer of $16,000; Mr. Oesterreicher previously has received a grant of 15,000 stock options and has received an annual cash retainer of $6,000. As Messrs. Humphries and Oesterreicher are currently Retiring Directors, if they are re-elected to the Board of Directors, they will be compensated according to the new compensation plan. If Mr. Girouard is elected to the Board of Directors, he will be compensated according to the new compensation plan. Messrs. Carty, Cook, Haggar, Kirk, Marcus, and Staubach are being compensated according to the new compensation plan.

During the year ended June 24, 1998, the Board of Directors held six (6) meetings; each incumbent director attended at least 75% of the aggregate total of meetings of the Board of Directors and Committees on which he or she served.

EXECUTIVE COMPENSATION

The following summary compensation table sets forth the annual compensation for the Company's five highest compensated executive officers, including the Chief Executive Officer, whose salary and bonus exceeded $100,000 in fiscal 1998.

Summary Compensation Table

Long-Term Compensation	
Awards	Payouts
Securities	Long-Term

Name and Principal Position	Year	Annual Compensation Salary	Bonus	Underlying Options	Incentive Payouts	All Other Compensation (1)
Ronald A. McDougall						
President and Chief	1998	$ 861,442	$1,033,731	200,000	$ 76,633	$ 30,397
Executive Officer	1997	$ 825,000	$ 396,000	200,000	$ 67,289	$ 29,194
	1996	$ 744,808	$ -0-	375,000	$ 69,860	$ 18,396
Douglas H. Brooks						
Executive Vice	1998	$ 387,308	$ 255,623	60,000	$ 45,980	$ 16,595
President and Chief	1997	$ 333,654	$ 120,462	50,000	$ 33,645	$ 20,818
Operating Officer	1996	$ 311,058	$ -0-	90,000	$ 31,049	$ 12,830
Roger F. Thomson						
Executive Vice	1998	$ 334,692	$ 267,754	50,000	$ 57,475	$ 16,501
President, Chief	1997	$ 317,231	$ 104,940	50,000	$ 40,374	$ 16,680
Administrative Officer,	1996	$ 256,827	$ -0-	90,000	$ 31,049	$ 6,641
General Counsel and						
Secretary						
Gerard V. Centioli						
Senior Vice President	1998	$ 289,841	$ 231,783	50,000	$ 30,653	$ 58,686
- Emerging Concepts	1997	$ 276,768	$ 100,000	50,000	$ -0-	$ 19,791
President and Chief	1996	$ 127,739	$ -0-	90,000	$ -0-	$ 5,315
Executive Officer						
Russell G. Owens						
Executive Vice	1998	$ 286,577	$ 229,262	50,000	$ 37,473	$ 13,319
President and Chief	1997	$ 187,231	$ 41,931	20,000	$ 26,916	$ 12,589
Financial and	1996	$ 168,846	$ -0-	90,000	$ 23,287	$ 7,437
Strategic Officer						

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(1) All other compensation represents Company match on deferred compensation.

Option Grants During 1998 Fiscal Year

The following table contains certain information concerning the grant of stock options pursuant to the Company's 1992 Incentive Stock Option Plan to the executive officers named in the above compensation table during the Company's last fiscal year:

Name	Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price	Expiration Date	Realizable Value of Assumed Annual Rates of Stock Price Appreciation for Option Term (1) 5%	10%
Ronald A. McDougall	200,000	12.04%	$14.00	10/31/07	$1,760,905	$4,462,479
Douglas H. Brooks	60,000	3.61%	$14.00	10/31/07	$ 528,271	$1,338,744
Roger F. Thomson	50,000	3.01%	$14.00	10/31/07	$ 440,226	$1,115,620
Gerard V. Centioli	50,000	3.01%	$14.00	10/31/07	$ 440,226	$1,115,620
Russell G. Owens	50,000	3.01%	$14.00	10/31/07	$ 440,226	$1,115,620

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(1) The dollar amounts under these columns are the result of calculations at the 5% and 10% rates set by the Securities and Exchange Commission and, therefore, are not intended to forecast possible future appreciation, if any, of the Company's stock price.

Stock Option Exercises and Fiscal Year-End Value Table

The following table shows stock option exercises by the

named officers during the last fiscal year, including the aggregate value of gains on the date of exercise. In addition, this table includes the number of shares covered by both exercisable and non-exercisable stock options at fiscal year-end. Also reported are the values for "in-the-money" options which represent the position spread between the exercise price of any such existing options and the $19.75 fiscal year-end price of the Company's Common Stock.

Name	Shares Acquired On Exercise	Value Realized	Number of Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Ronald A. McDougall	-0-	-0-	877,500	712,500	$2,815,553	$5,046,875
Douglas H. Brooks	98,603	$1,739,315	369,425	185,000	$3,131,433	$1,297,500
Roger F. Thomson	-0-	-0-	157,500	175,000	$ 261,930	$1,240,000
Gerard V. Centioli	-0-	-0-	30,000	190,000	$ 183,750	$1,307,500
Russell G. Owens	-0-	-0-	100,447	145,000	$ 610,099	$ 981,250

Long-Term Performance Share Plan and Awards

Executives of the Company participate in the Long-Term Performance Share Plan. See "Report of the Compensation Committee - Long-Term Incentives" for more information regarding this plan. The following table represents awards granted in the last fiscal year under the Long-Term Performance Share Plan.

Name	Number of Units Awarded	Estimated Future Payouts Under Non-Stock Based Plans (Dollars)		
		Threshold	Target	Maximum
Ronald A. McDougall	1,000	*	$100,000	*
Douglas H. Brooks	600	*	$ 60,000	*
Roger F. Thomson	750	*	$ 75,000	*
Gerard V. Centioli	400	*	$ 40,000	*
Russell G. Owens	575	*	$ 57,500	*

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* Future payouts under the Long-Term Performance Share Plan have no minimum threshold and have no maximum limit as set forth in more detail in "Report of the Compensation Committee - Long Term Incentives."

REPORT OF THE COMPENSATION COMMITTEE

Compensation Philosophy

The executive compensation program is designed as a tool to reinforce the Company's strategic principles - to be a premier and progressive growth company with a balanced approach towards people, quality and profitability and to enhance long-term shareholder value. To this end, the following principles have guided the development of the executive compensation program:

Provide competitive levels of compensation to attract and retain the best qualified executive talent. The Committee strongly believes that the caliber of the Company's management group makes a significant difference in the Company's sustained success over the long term.

Embrace a pay-for-performance philosophy by placing significant amounts of compensation "at risk" - that is, compensation payouts to executives must vary according to the overall performance of the Company.

Directly link executives' interests with those of shareholders by providing opportunities for long-term incentive compensation based on changes in shareholder value.

The executive compensation program is intended to appropriately balance the Company's short-term operating goals with its long-term strategy through a careful mix of base salary,

annual cash incentives and long-term performance compensation including cash incentives and incentive stock options.

Base Salaries

Executives' base salaries and total compensation are targeted to be competitive between the 75th and 90th percentiles of the market for positions of similar responsibility and scope to reflect the exceptionally high level of executive talent required to execute the growth plans of the Company. Positioning executives' base salaries at these levels is needed for attracting, retaining and motivating executives with the essential qualifications for managing the Company's growth. The Company defines the relevant labor market for such executive talent through the use of third-party executive salary surveys that reflect both the chain restaurant industry as well as a broader cross-section of companies from many industries. Individual base salary levels are determined by considering market data for each officer's position, level of responsibility, performance, and experience. The overall amount of base salary increases awarded to executives reflects the financial performance of the Company, individual performance and potential, and/or changes in an officer's duties and responsibilities.

Annual Incentives

The Company's Profit Sharing Plan is a non-qualified annual incentive arrangement in which all corporate employees, including executives, participate. The program is designed to reflect employees' contribution to the growth of the Company's common stock value by increasing the earnings of the Company. The plan reinforces a strong teamwork ethic by making the basis for payouts to non-restaurant concept executives the same as for all other non-restaurant concept corporate employees and by making the basis for payouts to executives of one of the Company's restaurant concepts the same as for all other members of such restaurant concept's corporate team.

At the beginning of a fiscal year, each executive is assigned an Individual Participation Percentage ("IPP") which is tied to the base salary for such executive and targets overall total cash compensation for executives between the 75th and 90th percentiles of the market. The IPPs reflect the Committee's desire that a significant percentage of executives' total compensation be derived from variable pay programs.

401(k) Savings Plan and Savings Plan II

On January 1, 1993, the Company implemented the 401(k) Savings Plan ("Plan I") and Savings Plan II ("Plan II"). These Plans are designed to provide the Company's salaried employees with a tax-deferred long-term savings vehicle. The Company provides a matching contribution equal to 25% of a participant's contribution, up to a maximum of 5% of such participant's compensation.

Plan I is a qualified 401(k) plan. Participants in Plan I elect the percentage of pay they wish to contribute as well as the investment alternatives in which their contributions are to be invested. The Company's matching contribution for all Plan I participants is made in Company common stock. All participants in Plan I are considered non-highly compensated employees as defined by the Internal Revenue Service. Participants' contributions vest immediately while Company contributions vest 25% annually, beginning in the participant's second year of eligibility since Plan I inception.

Plan II is a non-qualified deferred compensation plan. Plan II participants elect the percentage of pay they wish to defer into their Plan II account. They also elect the percentage of their deferral account to be allocated among various investment options. The Company's matching contribution for all non-officer Plan II participants is made in Company common stock, with corporate officers receiving a Company match in cash. Participants in Plan II are considered a select group of management and highly compensated employees according to the Department of Labor. A participant's contributions vest immediately while Company contributions vest 25% annually, beginning in the participant's second year of eligibility since Plan II inception.

Long-Term Incentives

All salaried employees above a specified grade level of the Company, including executives, are eligible for annual grants of tax-qualified and non-qualified stock options. By tying a significant portion of executives' total opportunity for financial gain to increases in shareholder wealth as reflected by the market price of the Company's common stock, executives' interests are closely aligned with shareholders' long-term interests. In addition, because the Company does not maintain any qualified retirement programs for executives, the stock option plan is intended to provide executives with opportunities to accumulate wealth for later retirement.

Stock options are rights to purchase shares of the Company's Common Stock at the fair market value on the date of grant. Grantees do not receive a benefit from stock options unless and until the market price of the Company's common stock increases. Fifty percent (50%) of a stock option grant becomes exercisable two years after the grant date; the remaining 50% of a grant becomes exercisable three years after the grant date.

The number of stock options granted to an executive is determined by the Compensation Committee and is based on grant guidelines set by the Compensation Committee that reflect market data and the officer's position within the Company.

Executives also participate in the Long-Term Executive Profit Sharing Plan, a non-qualified long-term performance cash plan. This plan provides an additional mechanism for focusing executives on the sustained improvement in operating results over the long term. This is a performance-related plan using overlapping three-year cycles paid annually. Performance units (valued at $100 each) are granted to individuals and paid in cash based upon the Company's attainment of predetermined performance objectives. Long-term operating results are measured by evaluating both pre-tax net income (weighted 70%) and changes in shareholders' equity (weighted 30%) over three-year cycles. The Long-Term Executive Profit Sharing Plan will continue in effect through the cycle which includes fiscal years 1997, 1998, and 1999. The Long-Term Executive Profit Sharing Plan has been replaced by the Long-Term Performance Share Plan commencing with the cycle which includes fiscal years 1998, 1999, and 2000. The Long-Term Performance Share Plan is based on the Company's total shareholder return in comparison to the S&P 500 Index and the S&P Restaurant Industry Index. For executives to receive the target payout, the Company must perform at the 75th percentile of each index over the three-year cycle and must average at least 90% of its planned annual profit before taxes over the same three-year cycle.

Pay/Performance Nexus

The Company's executive compensation program has resulted in a direct relationship between the compensation paid to executive officers and the Company's performance. See "Five-Year Total Shareholder Return Comparison" below.

CEO Compensation

The Compensation Committee made decisions regarding Mr. McDougall's compensation package according to the guidelines discussed in the preceding sections. Mr. McDougall was awarded a salary increase in the amount of 6.3%, effective June 25, 1998, to recognize his vast experience in the restaurant industry, the Company's performance under his leadership and his significant contributions to the Company's continued success. Mr. McDougall was granted 1,000 units under the Long-Term Executive Profit Sharing Plan for the cycle which includes fiscal years 1998, 1999, and 2000. Mr. McDougall was also granted 200,000 stock options under the Company's stock option plan. Approximately 51.6% of Mr. McDougall's compensation for 1998 was incentive pay pursuant to the Company's Profit Sharing Plan. Like all Company executives, Mr. McDougall's compensation is significantly affected by the Company's performance. In the 1998 fiscal year, Mr. McDougall's total compensation increased 52% from its level in the 1997 fiscal year.

Federal Income Tax Considerations

The Compensation Committee has considered the impact of Section 162(m) of the Internal Revenue Code adopted under the Omnibus Budget Reconciliation Act of 1993. This section disallows a tax deduction for any publicly-held corporation for individual compensation to certain executives of such corporation exceeding $1,000,000 in any taxable year, unless compensation is performance-based. It is the intent of the Company and the Compensation Committee to qualify to the maximum extent possible its executives' compensation for deductibility under applicable tax laws. The Compensation Committee believes that the Company's compensation programs provide the necessary incentives and flexibility to promote the Company's performance-based compensation philosophy while being consistent with Company objectives.

The Compensation Committee's administration of the executive compensation program is in accordance with the principles outlined at the beginning of this report. The Company's financial performance supports the compensation practices employed during the past year.

Respectfully submitted,
COMPENSATION COMMITTEE

DAN W. COOK, III
J.M. HAGGAR, JR.
JAMES E. OESTERREICHER

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEET AND RELATED CONDENSED CONSOLIDATED STATEMENT OF INCOME OF BRINKER INTERNATIONAL, INC. AS OF AND FOR THE YEAR ENDED JUNE 25, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1000

12-MOS
JUN-25-1997
JUN-25-1997
23,194
24,469
20,472
146
13,031
112,434
1,043,092
293,483
996,943
149,133
287,521
0
0
7,771
515,973
996,943
1,320,881
1,335,337
374,525
1,173,735
0
313
9,453
90,985
30,480
60,505
0
0
0
60,505
0.82
0.81

Restated to reflect the adoption of Statement of Financial Accounting Standard No. 128, "Earnings Per Share."

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEET AND RELATED CONDENSED CONSOLIDATED STATEMENT OF INCOME OF BRINKER INTERNATIONAL, INC. AS OF AND FOR THE YEAR ENDED JUNE 26, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1000

12-MOS
JUN-26-1996
JUN-26-1996
27,073
0
14,392
250
10,839
88,355
853,231
242,001
888,834
123,390
117,801
0
0
7,726
600,444
888,834
1,150,601
1,162,951
330,375
1,015,307
0
120
4,579
52,137
17,756
34,381
0
0
0
34,381
0.45
0.44

Restated to reflect the adoption of Statement of Financial Accounting Standard No. 128, "Earnings Per Share."