UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-Q

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

SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended December 26, 2001

Commission File Number 1-10275

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

Yes X No

Number of shares of common stock of registrant outstanding at December 26, 2001: 97,222,792

BRINKER INTERNATIONAL, INC.

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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

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

	December 26, 2001 (Unaudited)	June 27, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 40,757	$ 13,312
Accounts receivable	33,328	31,438
Inventories	27,070	27,351
Prepaid expenses	61,201	55,809
Deferred income taxes	12,812	7,295
Other	-	2,000
Total current assets	175,168	137,205
Property and Equipment, at Cost:		
Land	209,381	201,013
Buildings and leasehold improvements	987,350	898,133
Furniture and equipment	541,924	478,847
Construction-in-progress	53,030	70,051
	1,791,685	1,648,044
Less accumulated depreciation and amortization	(617,098)	(563,320)
Net property and equipment	1,174,587	1,084,724
Other Assets:		
Goodwill, net	193,899	138,127
Other	95,066	82,245
Total other assets	288,965	220,372
Total assets	$1,638,720	$1,442,301
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 17,635	$ 17,635
Accounts payable	103,828	89,436
Accrued liabilities	167,875	134,420
Total current liabilities	289,338	241,491
Long-term debt, less current installments	375,458	236,060
Deferred income taxes	16,244	12,502
Other liabilities	53,477	51,961
Shareholders' Equity:		
Common stock - 250,000,000 authorized shares; $0.10 par value; 117,500,054 shares issued and 97,222,792 shares outstanding at December 26, 2001, and 117,501,080 shares issued and 99,509,455 shares outstanding at June 27, 2001	11,750	11,750
Additional paid-in capital	313,754	314,867
Retained earnings	876,258	801,988
	1,201,762	1,128,605
Less:		
Treasury stock, at cost (20,277,262 shares at December 26, 2001 and 17,991,625 shares at June 27, 2001)	(294,850)	(225,334)
Accumulated other comprehensive loss	-	(895)
Unearned compensation	(2,709)	(2,089)
Total shareholders' equity	904,203	900,287
Total liabilities and shareholders' equity	$1,638,720	$1,442,301

See accompanying notes to consolidated financial statements.

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

	Thirteen-Week Periods Ended		Twenty-Six Week Periods Ended	
	December 26, 2001	December 27, 2000	December 26, 2001	December 27, 2000
Revenues	$ 704,682	$ 583,263	$ 1,395,229	$ 1,172,546
Operating Costs and Expenses:				
Cost of sales	190,834	156,424	376,658	312,831
Restaurant expenses	396,191	323,313	780,903	649,442
Depreciation and amortization	30,151	24,322	58,337	47,752
General and administrative	30,688	26,698	58,247	53,909
Total operating costs and expenses	647,864	530,757	1,274,145	1,063,934
Operating income	56,818	52,506	121,084	108,612
Interest expense	2,837	2,278	6,621	3,674
Other, net	1,021	514	808	913
Income before provision for income taxes	52,960	49,714	113,655	104,025
Provision for income taxes	18,324	17,499	39,385	36,617
Net income	$ 34,636	$ 32,215	$ 74,270	$ 67,408
Basic net income per share	$ 0.35	$ 0.33	$ 0.76	$ 0.68
Diluted net income per share	$ 0.35	$ 0.32	$ 0.74	$ 0.66
Basic weighted average shares outstanding	97,718	98,497	98,366	98,571
Diluted weighted average shares outstanding	100,131	101,718	100,875	101,638

See accompanying notes to consolidated financial statements.

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

	Twenty-Six Week Periods Ended	
	December 26, 2001	December 27, 2000
Cash Flows from Operating Activities:		
Net income	$ 74,270	$ 67,408
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	58,337	47,752
Amortization of deferred costs	2,516	773
Deferred income taxes	5,318	4,942
Changes in assets and liabilities, excluding effects of acquisitions:		
Receivables	(4,426)	(5,769)
Inventories	983	(264)
Prepaid expenses	(1,052)	1,202
Other assets	5,789	(3,354)
Accounts payable	15,056	(2,875)

Accrued liabilities	30,365	22,143
Other liabilities	1,516	6,705
Net cash provided by operating activities	188,672	138,663
Cash Flows from Investing Activities:		
Payments for property and equipment	(115,220)	(116,857)
Payments for purchases of restaurants	(60,491)	-
Proceeds from sale of affiliate	4,000	-
Investment in equity method investees	(12,322)	(3,026)
Net advances to affiliates	(675)	325
Net cash used in investing activities	(184,708)	(119,558)
Cash Flows from Financing Activities:		
Net (payments) borrowings on credit facilities	(147,779)	18,020
Net proceeds from issuance of debt	244,243	-
Proceeds from issuances of treasury stock	14,520	19,759
Purchases of treasury stock	(87,503)	(33,558)
Net cash provided by financing activities	23,481	4,221
Net change in cash and cash equivalents	27,445	23,326
Cash and cash equivalents at beginning of year	13,312	12,343
Cash and cash equivalents at end of year	$ 40,757	$ 35,669

See accompanying notes to consolidated financial statements.

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

1. Basis of Presentation

The consolidated financial statements of Brinker International, Inc. and its wholly-owned subsidiaries (collectively, the "Company") as of December 26, 2001 and June 27, 2001 and for the thirteen-week and twenty-six week periods ended December 26, 2001 and December 27, 2000, respectively, have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The Company owns, operates, or franchises various restaurant concepts under the names of Chili's Grill & Bar ("Chili's"), Romano's Macaroni Grill ("Macaroni Grill"), On The Border Mexican Grill & Cantina ("On The Border"), Cozymel's Coastal Mexican Grill ("Cozymel's"), Maggiano's Little Italy ("Maggiano's"), Corner Bakery Cafe ("Corner Bakery"), and Big Bowl. In addition, the Company is involved in the ownership and has been involved in the development of the Eatzi's Market and Bakery ("Eatzi's") concept and owns an approximately 40% interest in the legal entities owning and developing Rockfish Seafood Grill ("Rockfish").

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

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

2. Business Combinations

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

historical amounts reported herein.

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

3. Investment in Unconsolidated Entities

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

4. Goodwill and Other Intangibles

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

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

The gross carrying amount of intellectual property rights subject to amortization totaled $6.4 million at December 26, 2001 and June 27, 2001. Accumulated amortization related to these intangible assets totaled approximately $1.1 million and $960,000 at December 26, 2001 and June 27, 2001, respectively. The carrying amount of reacquired development rights not subject to amortization totaled $4.4 million at December 26, 2001 and June 27, 2001.

The changes in the carrying amount of goodwill for the twenty-six week period ended December 26, 2001 are as follows (in thousands):

Balance, June 27, 2001	$ 138,127
Goodwill arising from acquisitions	55,473
Other adjustments	299
Balance, December 26, 2001	$ 193,899

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

	13-Week Periods Ended		26-Week Periods Ended	
	Dec. 26, 2001	Dec. 27, 2000	Dec. 26, 2001	Dec. 27, 2000
Net income, as reported	$ 34,636	$ 32,215	$ 74,270	$ 67,408
Intangible amortization	-	457	-	915
Net income, pro forma	$ 34,636	$ 32,672	$ 74,270	$ 68,323

The adoption of SFAS No. 142 had no effect on basic and diluted

earnings per share for the quarter ended December 27, 2000. Pro forma basic and diluted earnings per share for the twenty-six week period ended December 27, 2000 would have been $0.69 and $0.67, respectively, upon the adoption of SFAS No. 142.

5. Debt

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

6. Derivative Financial Instruments and Hedging Activities

The Company entered into three additional interest rate swaps in the second quarter with a total notional value of $119.0 million at December 26, 2001. These fair value hedges change the fixed-rate interest on one of its real estate leasing facilities to variable-rate interest. Under the terms of the hedges (which expire in fiscal 2018), the Company pays monthly a variable rate based on LIBOR (1.93% at December 26, 2001) plus 1.26%. The Company receives monthly the fixed interest rate of 7.156% on the lease. The estimated fair value of these agreements at December 26, 2001 was a liability of approximately $1.4 million. The fair value hedges were fully effective during the twenty-six week period ended December 26, 2001. Accordingly, the change in fair value of the swaps was recorded in other liabilities.

7. Shareholders' Equity

In August 2001, the Board of Directors authorized an increase in the stock repurchase plan of an additional $100.0 million, bringing the Company's total share repurchase program to $310.0 million. Pursuant to the Company's stock repurchase plan, the Company repurchased approximately 3,555,000 shares of its common stock for $87.5 million during the first and second quarters of fiscal 2002, resulting in a cumulative repurchase total of approximately 14.5 million shares of its common stock for $279.0 million. The Company's stock repurchase plan is used by the Company to increase shareholder value, offset the dilutive effect of stock option exercises, satisfy obligations under its savings plans, and for other corporate purposes. The repurchased common stock is reflected as a reduction of shareholders' equity.

8. Supplemental Cash Flow Information

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

	Dec. 26, 2001	Dec. 27, 2000
Interest, net of amounts capitalized	$ 6,170	$ 4,650
Income taxes, net of refunds	22,595	43,974

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

	Dec. 26, 2001	Dec. 27, 2000
Restricted common stock issued, net of forfeitures	$ 2,354	$ 800
Increase in fair value of interest rate swaps and debt	409	2,177
Decrease in fair value of interest rate swaps on real estate leasing facility	(1,441)	-

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

Property, plant and equipment acquired	$ 36,312
Other assets acquired	8,585
Goodwill	55,473
Capital lease obligations assumed	(35,480)
Other liabilities assumed	(4,399)
Net cash paid	$ 60,491

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

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

	13 Week Periods Ended		26 Week Periods Ended	
	Dec. 26, 2001	Dec. 27, 2000	Dec. 26, 2001	Dec. 27, 2000
Revenues	100.0 %	100.0 %	100.0 %	100.0 %
Operating Costs and Expenses:				
Cost of sales	27.1 %	26.8 %	27.0 %	26.7 %
Restaurant expenses	56.2 %	55.4 %	56.0 %	55.4 %
Depreciation and amortization	4.3 %	4.2 %	4.2 %	4.1 %
General and administrative	4.4 %	4.6 %	4.2 %	4.6 %
Total operating costs and expenses	92.0 %	91.0 %	91.4 %	90.8 %
Operating income	8.0 %	9.0 %	8.6 %	9.2 %
Interest expense	0.4 %	0.4 %	0.5 %	0.3 %
Other, net	0.1 %	0.1 %	- %	0.1 %
Income before provision for income taxes	7.5 %	8.5 %	8.1 %	8.8 %
Provision for income taxes	2.6 %	3.0 %	2.8 %	3.1 %
Net income	4.9 %	5.5 %	5.3 %	5.7 %

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

	Second Quarter Openings		Year-to-Date Openings		Total Open at End Of Second Quarter	
	Fiscal 2002	Fiscal 2001	Fiscal 2002	Fiscal 2001	Fiscal 2002	Fiscal 2001
Chili's:						
Company-owned	16	6	25	13	606	479
Franchised	8	10	14	18	182	235
Total	24	16	39	31	788	714
Macaroni Grill:						
Company-owned	4	2	7	6	166	151
Franchised	-	2	-	2	6	6
Total	4	4	7	8	172	157
On The Border:						
Company-owned	1	4	3	5	105	87
Franchised	1	1	1	2	20	29
Total	2	5	4	7	125	116
Corner Bakery:						
Company-owned	2	1	6	2	67	58
Franchised	-	1	-	1	2	2
Total	2	2	6	3	69	60

Cozymel's	-	-	-	-	14	13
Maggiano's	2	-	3	1	17	13
Big Bowl	-	-	-	-	9	6
Rockfish	2	-	2	-	10	-
Eatzi's	-	-	-	-	4	4
Wildfire	-	-	-	-	-	3
Grand Total	36	27	61	50	1,208	1,086

REVENUES

Revenues for the second quarter of fiscal 2002 increased to $704.7 million, 20.8% over the $583.3 million generated for the same quarter of fiscal 2001. Revenues for the twenty-six week period ended December 26, 2001 rose 19.0% to $1,395.2 million from the $1,172.5 million generated for the same period of fiscal 2001. The increases are primarily attributable to a net increase of 183 company-owned restaurants since December 27, 2000 and an increase in comparable store sales for the second quarter of fiscal 2002 compared to the same quarter of fiscal 2001. The Company increased its capacity (as measured in sales weeks) for the second quarter and year-to-date of fiscal 2002 by 19.9% and 18.3%, respectively, compared to the respective prior year periods. Comparable store sales increased 1.6% and 1.0% for the second quarter and year-to-date, respectively, from the same periods of fiscal 2001. Menu prices in the aggregate increased 2.0% in fiscal 2002 as compared to fiscal 2001.

COSTS AND EXPENSES (as a Percent of Revenues)

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

Restaurant expenses increased for the second quarter and year-to-date of fiscal 2002 compared to the respective periods of fiscal 2001. Utility costs and preopening costs were higher than in the prior year, but were partially offset by increased sales leverage, improvements in labor productivity, and menu price increases year-over-year.

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

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

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

Other, net remained flat for the second quarter and decreased for the first six months of fiscal 2002 as compared to the respective periods of fiscal 2001 due to reduced equity losses related to the Company's share in equity method investees, partially offset by a decrease in the market value of the Company's savings plan investments.

INCOME TAXES

The Company's effective income tax rate decreased to 34.6% from 35.2% for the second quarter of fiscal 2002 and to 34.7% from 35.2% year-to-date of fiscal 2002. The decrease is primarily due to the elimination of goodwill amortization in accordance with SFAS 142.

NET INCOME AND NET INCOME PER SHARE

Net income for the second quarter and year-to-date of fiscal 2002 increased 7.5% and 10.2%, respectively, compared to the respective periods of fiscal 2001. Diluted net income per share increased for the second quarter and year-to-date of fiscal 2002 9.4% and 12.1%, respectively, compared to the respective periods of fiscal 2001. The increase in both net income and diluted net income per share was primarily due to increasing revenues driven by increases in sales weeks, comparable store sales, and menu prices and decreases in general and administrative expenses, partially offset by increases in cost of sales and restaurant expenses as a percent of revenues.

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit increased from $104.3 million at June 27, 2001 to $114.2 million at December 26, 2001. Net cash provided by operating activities increased to $188.7 million for the first six months of fiscal 2002 from $138.7 million during the same period in fiscal 2001 due to increased profitability and the timing of operational receipts and payments. The Company believes that its various sources of capital, including availability under existing credit facilities and cash flow from operating activities, are adequate to finance operations as well as the repayment of current debt obligations.

Long-term debt outstanding at December 26, 2001 consisted of $251.5 million of zero coupon convertible debentures ($431.7 million principal less $180.2 million representing an unamortized debt discount), $60.4 million of unsecured senior notes ($57.1 million principal plus $3.3 million representing the effect of changes in interest rates on the fair value of the debt), $44.6 million in assumed debt related to the acquisition of restaurants from a former franchise partner ($39.7 million principal plus $4.9 million representing a debt premium), $35.5 million in assumed capital lease obligations related to the acquisition of restaurants from a former franchise partner ($19.9 million principal plus $15.6 million representing a debt premium), and other obligations under capital leases. The Company has credit facilities totaling $345.0 million. At December 26, 2001, the Company had no amounts outstanding on these facilities.

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

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

As of December 26, 2001, $16.2 million of the Company's $25.0 million equipment leasing facility and $51.8 million of the Company's $75.0 million real estate leasing facility had been utilized. The Company plans to utilize the unused portion of the real estate leasing facility to lease real estate through June 2003.

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, net of amounts funded under the respective equipment and real estate leasing facilities, were $115.2 million for the first six months of fiscal 2002 compared to $116.9 million for the same period of fiscal 2001. The decrease is due primarily to an increase in the amount of new restaurant expenditures funded by leasing facilities, partially offset by an increase in the number of new store openings. The Company estimates that its capital expenditures, net of amounts expected to be funded under leasing facilities, during the third quarter of fiscal 2002 will approximate $57.0 million. These capital expenditures will be funded entirely from operations and existing credit facilities.

In August 2001, the Board of Directors authorized an increase in the stock repurchase plan of an additional $100.0 million, bringing the Company's total share repurchase program to $310.0 million. Pursuant to the Company's stock repurchase plan, approximately 3,555,000 shares of its common stock were repurchased for $87.5 million during the first and second quarters of fiscal 2002. As of December 26, 2001, approximately 14.5 million shares had been repurchased for $279.0 million under the stock repurchase plan. The Company repurchases common stock to increase shareholder value, offset the dilutive effect of stock option exercises, satisfy obligations under its savings plans, and for other corporate purposes. The repurchased common stock is reflected as a reduction of shareholders' equity. The Company financed the repurchase program through a combination of cash provided by operations, drawdowns on its available credit facilities and the issuance of the Debentures.

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

FORWARD-LOOKING STATEMENTS

The Company wishes to caution readers that the following important factors, among others, could cause the actual results of the Company to differ materially from those indicated by forward-looking statements made in this report and from time to time in news releases, reports, proxy statements, registration statements and other written communications, as well as oral forward-looking statements made from time to time by representatives of the Company. Such forward-looking statements involve risks and uncertainties that may cause the Company's or the restaurant industry's actual results, level of activity, performance or

achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Factors that might cause actual events or results to differ materially from those indicated by these forward-looking statements may include matters such as future economic performance, restaurant openings, operating margins, the availability of acceptable real estate locations for new restaurants, the sufficiency of the Company's cash balances and cash generated from operating and financing activities for the Company's future liquidity and capital resource needs, and other matters, and are generally accompanied by words such as "believes," "anticipates," "estimates," "predicts," "expects" and similar expressions that convey the uncertainty of future events or outcomes. An expanded discussion of some of these risk factors follows.

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

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

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

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

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

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

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

Inflation may increase the Company's operating expenses.

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

Company will be able to continue to recover increases in operating expenses due to inflation in this manner.

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

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

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

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

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

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

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

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

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Company's Proxy Statement dated September 25, 2001 for the Annual Meeting of Shareholders held on November 15, 2001, as filed with the Securities and Exchange Commission on September 25, 2001, is incorporated herein by reference.

(a) The Annual Meeting of Shareholders of the Company was held on November 15, 2001.

(b) Each of the management's nominees, as described in the Proxy Statement referenced above, was elected a director to hold office until the next Annual Meeting of Shareholders or until his or her successor is elected and qualified.

	Votes For	Votes Against or Withheld
Ronald A. McDougall	87,761,850	176,117
Douglas H. Brooks	87,761,135	176,832
Donald J. Carty	87,758,237	179,730
Dan W. Cook, III	87,759,606	178,361
Marvin J. Girouard	87,759,288	178,679

Frederick S. Humphries	87,749,714	188,253
Ronald Kirk	87,760,076	177,891
Jeffrey A. Marcus	87,757,492	180,475
James E. Oesterreicher	87,753,149	184,818
Roger T. Staubach	87,762,903	175,064

(c) The following matter was also voted upon at the meeting and rejected by the shareholders:

(i) proposal regarding genetically engineered ingredients in food products

Votes For	7,780,470
Votes Against	71,424,434
Votes Abstained	3,059,953
Broker Non-Votes	5,673,110

Item 6. Exhibits and Reports on FORM 8-K

(a) Exhibits

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

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

(b) Reports

A current report on Form 8-K, dated October 22, 2001, was filed with the Securities and Exchange Commission on October 22, 2001. This Form 8-K contained the text of a press release, dated September 10, 2001, announcing the Company's intent to issue $225,000,000 in senior convertible debentures.

SIGNATURES

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

BRINKER INTERNATIONAL, INC.

Date: February 11, 2002

By:___________________________________
Ronald A. McDougall, Chairman and
Chief Executive Officer

Date: February 11, 2002

By:____________________________________
Charles M. Sonsteby,
Executive Vice President and Chief
Financial Officer
(Principal Financial and Accounting
Officer)