

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549
FORM 10-Q

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

For the Quarterly Period Ended March 30, 2005

Commission File Number 1-10275

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

75-1914582
(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 No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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 May 4, 2005
Common Stock, \$0.10 par value	88,713,152 shares

BRINKER INTERNATIONAL, INC.

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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

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

	March 30, 2005 (Unaudited)	June 30, 2004
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 48,577	\$ 226,762
Accounts receivable	37,613	37,934
Inventories	47,686	38,113
Prepaid expenses and other	77,833	74,764
Deferred income taxes	<u>31,727</u>	<u>23,347</u>
Total current assets	<u>243,436</u>	<u>400,920</u>
Property and Equipment, at cost:		
Land	278,490	283,777
Buildings and leasehold improvements	1,538,603	1,413,980
Furniture and equipment	719,852	666,415
Construction-in-progress	<u>77,876</u>	<u>72,818</u>
	2,614,821	2,436,990
Less accumulated depreciation and amortization	<u>(936,998)</u>	<u>(823,106)</u>
Net property and equipment	<u>1,677,823</u>	<u>1,613,884</u>
Other Assets:		
Goodwill	135,754	158,068
Other	<u>66,603</u>	<u>81,552</u>
Total other assets	<u>202,357</u>	<u>239,620</u>
Total assets	<u>\$2,123,616</u>	<u>\$2,254,424</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	\$ 15,983	\$ 18,099
Accounts payable	125,283	96,795
Accrued liabilities	243,295	227,225
Income taxes payable	<u>28,403</u>	<u>37,043</u>
Total current liabilities	<u>412,964</u>	<u>379,162</u>
Long-term debt, less current installments	436,715	639,291
Deferred income taxes	77,163	72,453
Other liabilities	171,394	153,096
Contingencies (Note 8)		
Shareholders' Equity:		
Common stock - 250,000,000 authorized shares; \$0.10 par value; 117,499,541 shares issued and 88,722,193 shares outstanding at March 30, 2005, and 117,499,541 shares issued and 90,647,745 shares outstanding at June 30, 2004	11,750	11,750
Additional paid-in capital	355,205	357,444
Accumulated other comprehensive income	786	737
Retained earnings	<u>1,372,103</u>	<u>1,261,647</u>
	1,739,844	1,631,578
Less:		
Treasury stock, at cost (28,777,348 shares at March 30, 2005 and 26,851,796 shares at June 30, 2004)	(713,310)	(619,806)
Unearned compensation	<u>(1,154)</u>	<u>(1,350)</u>
Total shareholders' equity	<u>1,025,380</u>	<u>1,010,422</u>
Total liabilities and shareholders' equity	<u>\$2,123,616</u>	<u>\$2,254,424</u>

See accompanying notes to consolidated financial statements.

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

<u>Ended</u>	<u>Thirteen Week Periods Ended</u>		<u>Thirty-Nine Week Periods</u>	
	March 30, <u>2005</u>	March 24, <u>2004</u> (as restated)	March 30, <u>2005</u>	March 24, <u>2004</u> (as restated)
Revenues	\$ <u>1,009,529</u>	\$ <u>931,922</u>	\$ <u>2,870,800</u>	\$ <u>2,689,310</u>
Operating Costs and Expenses:				
Cost of sales	285,600	255,759	808,803	740,878
Restaurant expenses	554,990	509,059	1,598,817	1,486,251
Depreciation and amortization	47,922	45,687	142,144	133,033
General and administrative	33,310	39,417	113,149	109,339
Restructure charges and other impairments	<u>350</u>	<u>66,501</u>	<u>52,749</u>	<u>68,535</u>
Total operating costs and expenses	<u>922,172</u>	<u>916,423</u>	<u>2,715,662</u>	<u>2,538,036</u>
Operating income	87,357	15,499	155,138	151,274
Interest expense	5,947	2,722	20,147	8,973
Other, net	<u>77</u>	<u>1,103</u>	<u>1,612</u>	<u>1,973</u>
Income before provision for income taxes	81,333	11,674	133,379	140,328
Provision for income taxes	<u>26,189</u>	<u>11,668</u>	<u>22,923</u>	<u>53,090</u>
Net income	\$ <u>55,144</u>	\$ <u>6</u>	\$ <u>110,456</u>	\$ <u>87,238</u>
Basic net income per share	\$ <u>0.63</u>	\$ <u>0.00</u>	\$ <u>1.25</u>	\$ <u>0.90</u>
Diluted net income per share	\$ <u>0.60</u>	\$ <u>0.00</u>	\$ <u>1.18</u>	\$ <u>0.86</u>
Basic weighted average shares outstanding	<u>88,109</u>	<u>95,973</u>	<u>88,458</u>	<u>96,510</u>
Diluted weighted average shares outstanding	<u>91,769</u>	<u>98,007</u>	<u>95,621</u>	<u>106,151</u>

See accompanying notes to consolidated financial statements.

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

Thirty-Nine Week Periods

<u>Ended</u>	<u>March 30,</u> <u>2005</u>	<u>March 24,</u> <u>2004</u> (as restated)
Cash Flows from Operating Activities:		
Net income	\$110,456	\$ 87,238
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	142,144	133,033
Restructure charges and other impairments	52,749	68,535
Gain on sale of assets	(6,314)	(2,454)
Amortization of deferred costs	4,000	7,032
Deferred income taxes	(3,696)	(21,487)
Gain on extinguishment of debt	(1,750)	-
Changes in assets and liabilities:		
Receivables	640	2,215
Inventories	(9,955)	78
Prepaid expenses and other	(687)	6,041
Other assets	(2,620)	(3,802)
Current income taxes	(8,640)	49,412
Accounts payable	28,488	(13,785)
Accrued liabilities	11,180	24,852
Other liabilities	<u>14,649</u>	<u>21,580</u>
Net cash provided by operating activities	<u>330,644</u>	<u>358,488</u>
Cash Flows from Investing Activities:		
Payments for property and equipment	(245,642)	(231,400)
Proceeds from sale of assets	38,928	7,704
Issuance of loan to affiliate	-	(2,800)
Net repayments of advances to affiliates	<u>-</u>	<u>644</u>
Net cash used in investing activities	<u>(206,714)</u>	<u>(225,852)</u>
Cash Flows from Financing Activities:		
Payments on long-term debt	(286,868)	(2,100)
Purchases of treasury stock	(162,893)	(105,248)
Net borrowings on credit facilities	92,700	-
Proceeds from issuances of treasury stock	<u>54,946</u>	<u>35,951</u>
Net cash used in financing activities	<u>(302,115)</u>	<u>(71,397)</u>
Net change in cash and cash equivalents	(178,185)	61,239
Cash and cash equivalents at beginning of period	<u>226,762</u>	<u>33,492</u>
Cash and cash equivalents at end of period	<u>\$ 48,577</u>	<u>\$ 94,731</u>

See accompanying notes to consolidated financial statements.

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

1. BASIS OF PRESENTATION

The consolidated financial statements of Brinker International, Inc. and its wholly-owned subsidiaries (collectively, the "Company") as of March 30, 2005 and June 30, 2004 and for the thirteen week and thirty-nine week periods ended March 30, 2005 and March 24, 2004, 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"), Maggiano's Little Italy ("Maggiano's"), On The Border Mexican Grill & Cantina ("On The Border"), and Corner Bakery Cafe ("Corner Bakery"). In addition, the Company owns an approximate 43% interest in the legal entities owning and developing Rockfish Seafood Grill ("Rockfish"). During the third quarter of fiscal 2005, the Company sold the remaining nine Big Bowl Asian Kitchen ("Big Bowl") restaurants.

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 interim 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 accounting principles generally accepted in the United States of America have been omitted pursuant to SEC rules and regulations. The notes to the consolidated financial statements (unaudited) should be read in conjunction with the notes to the consolidated financial statements contained in the June 30, 2004 Form 10-K/A. Management believes that the disclosures are sufficient for interim financial reporting purposes.

Reclassifications

As a result of the Company's review of its lease accounting policies that began in December 2004, and consistent with the views recently expressed by the SEC, the Company has adopted new accounting policies associated with landlord contributions and rent holidays. The Company previously netted landlord contributions against leasehold improvements, thereby reducing future depreciation related to leased properties. The landlord contributions will now be recorded as a deferred rent liability and amortized as a reduction of rent expense over the lease term. In addition, the Company previously began calculating straight-line rent on the rent commencement date, which is typically the date the restaurant is opened. The straight-line rent calculation will now include the rent holiday period, which is the period of time between the Company taking control of a leased site (generally at the beginning of construction) and the rent commencement date. The portion of straight-line rent allocated to the construction period will be capitalized.

These accounting policy changes resulted in an increase to net property and equipment and other liabilities of \$47.0 million as of June 30, 2004. In addition, depreciation and amortization increased and restaurant expenses decreased by \$845,000 for the third quarter of fiscal 2004 and \$2.4 million for year-to-date of fiscal 2004. These changes have no impact on the Company's previously reported net income, earnings per share, revenues, total operating costs and expenses, shareholders' equity, or compliance with any covenants under its credit facility or other debt instruments.

2. STOCK OPTION PLANS

The Company accounts for its stock based compensation under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations ("APB 25"), and has adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." Under APB 25, no stock-based compensation cost is reflected in net income for grants of stock options to employees because the Company grants stock options with an exercise price equal to the market value of the stock on the date of grant. Had the Company used the fair value based accounting method for stock compensation expense prescribed by SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro-forma amounts illustrated as follows (in thousands, except per share amounts):

	<u>Thirteen Week Periods Ended</u>		<u>Thirty-Nine Week Periods Ended</u>	
	<u>March 30,</u> <u>2005</u>	<u>March 24,</u> <u>2004</u> (as restated)	<u>March 30,</u> <u>2005</u>	<u>March 24,</u> <u>2004</u> (as restated)
Net income - as reported	\$ 55,144	\$ 6	\$ 110,456	\$ 87,238
Add: Reported stock-based compensation expense, net of taxes	124	417	932	1,348
Deduct: Fair value based compensation expense, net of taxes	<u>(4,620)</u>	<u>(4,730)</u>	<u>(14,450)</u>	<u>(14,242)</u>
Net income - pro-forma	<u>\$ 50,648</u>	<u>\$ (4,307)</u>	<u>\$ 96,938</u>	<u>\$ 74,344</u>
Earnings per share:				
Basic - as reported	<u>\$ 0.63</u>	<u>\$ 0.00</u>	<u>\$ 1.25</u>	<u>\$ 0.90</u>
Basic - pro-forma	<u>\$ 0.57</u>	<u>\$ (0.04)</u>	<u>\$ 1.10</u>	<u>\$ 0.77</u>
Diluted - as reported	<u>\$ 0.60</u>	<u>\$ 0.00</u>	<u>\$ 1.18</u>	<u>\$ 0.86</u>
Diluted - pro-forma	<u>\$ 0.56</u>	<u>\$ (0.04)</u>	<u>\$ 1.05</u>	<u>\$ 0.74</u>

3. NET INCOME PER SHARE

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 the dilutive effect of stock options determined using the treasury stock method and convertible debt. The Company had approximately 73,000 and 7,000 stock options outstanding at March 30, 2005 and March 24, 2004, respectively, that were not included in the dilutive earnings per share calculation because the effect would have been antidilutive. Additionally, the dilutive effect of the convertible debt and the related adjustment for interest is excluded from the diluted earnings per share calculation for the third quarter of fiscal 2004 because the effect would have been antidilutive. The components of basic and diluted earnings per share are as follows:

	<u>Thirteen Week Periods Ended</u>		<u>Thirty-Nine Week Periods Ended</u>	
	<u>March 30,</u> <u>2005</u>	<u>March 24,</u> <u>2004</u> (as restated)	<u>March 30,</u> <u>2005</u>	<u>March 24,</u> <u>2004</u> (as restated)
Net income (a)	\$ 55,144	\$ 6	\$ 110,456	\$ 87,238
Adjustment for interest on convertible debt, net of tax	<u>325</u>	<u>-</u>	<u>2,650</u>	<u>3,811</u>
Net income, as adjusted (b)	<u>\$ 55,469</u>	<u>\$ 6</u>	<u>\$ 113,106</u>	<u>\$ 91,049</u>
Basic weighted average shares outstanding (c)	88,109	95,973	88,458	96,510
Dilutive effect of stock options	1,445	2,034	1,253	1,841
Dilutive effect of convertible debt	<u>2,215</u>	<u>-</u>	<u>5,910</u>	<u>7,800</u>
Diluted weighted average shares outstanding (d)	<u>91,769</u>	<u>98,007</u>	<u>95,621</u>	<u>106,151</u>
Basic earnings per share (a)/(c)	<u>\$ 0.63</u>	<u>\$ 0.00</u>	<u>\$ 1.25</u>	<u>\$ 0.90</u>
Diluted earnings per share (b)/(d)	<u>\$ 0.60</u>	<u>\$ 0.00</u>	<u>\$ 1.18</u>	<u>\$ 0.86</u>

4. RESTRUCTURE CHARGES AND OTHER IMPAIRMENTS

During the first quarter of fiscal 2005, the Company recorded a \$31.2 million impairment charge resulting from the decision to sell nine Big Bowl restaurants and to close the remaining five restaurants. The decision to dispose of Big Bowl was the result of research and testing of the brand's competitive positioning. The impairment charge consists of goodwill totaling \$21.6 million and buildings, furniture, and equipment totaling \$9.6 million. During the second and third quarters of fiscal 2005, the Company recorded additional charges associated with the disposition totaling \$5.2 million (consisting of existing lease obligations, severance costs, and the write-off of inventory and supplies). The Company finalized the sale of Big Bowl during the third quarter of fiscal 2005 and received proceeds totaling \$6.0 million.

During the first quarter of fiscal 2005, the Company recorded a \$16.9 million charge to fully impair the investment and notes receivable associated with Rockfish as a result of recent declines in operating performance and lower forecasted earnings.

During the first and second quarter of fiscal 2005, the Company recorded a \$1.4 million and \$1.0 million charge, respectively, related to long-lived asset impairments associated with the closure of one Corner Bakery commissary and an existing lease obligation associated with a sub-lease. Additionally, the Company recorded a \$3.0 million gain year-to-date of fiscal 2005 related to the thirty restaurants closed during fiscal 2004, consisting of increases in the estimated sales value of previously impaired owned units and decreases in the estimated lease obligations.

5. CONVERTIBLE DEBT

In October 2001, the Company issued \$431.7 million of zero coupon convertible senior debentures (the "Debentures"), maturing on October 10, 2021, and received proceeds totaling approximately \$250.0 million prior to debt issuance costs. The Debentures required no interest payments and were issued at a discount representing a yield to maturity of 2.75% per annum. The Debentures became redeemable at the Company's option on October 10, 2004.

On December 22, 2004, the Company exercised its right to redeem all of the Debentures. Holders had the option to convert the Debentures into shares of the Company's common stock or cash until the close of business on January 20, 2005. Holders chose to convert a total of \$10.8 million of the accreted debenture value into 308,092 shares of common stock and the remaining accreted debenture value of \$262.7 million was redeemed for cash on January 24, 2005.

6. SHAREHOLDERS' EQUITY

Pursuant to the Company's stock repurchase plan, the Company repurchased approximately 4.7 million shares of its common stock for \$162.9 million during the first two quarters of fiscal 2005, of which 3.5 million shares were acquired under forward purchase contracts settled on October 21, 2004. There were no shares repurchased during the third quarter of fiscal 2005. As of March 30, 2005, approximately \$132.4 million was available under the Company's share repurchase authorizations. The Company's stock repurchase plan is primarily used to minimize the dilutive impact of stock option exercises. The repurchased common stock is recorded in treasury stock in the accompanying consolidated balance sheets.

7. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest and income taxes for the first three quarters of fiscal 2005 and 2004 is as follows (in thousands):

	March 30, 2005	March 24, 2004
Income taxes, net of refunds	\$ 35,262	\$ 25,530
Interest, net of amounts capitalized	12,519	2,805

Non-cash investing and financing activities for the first three quarters of fiscal 2005 and 2004 are as follows (in thousands):

	March 30, 2005	March 24, 2004
Retirement of fully depreciated assets	\$ 14,325	\$ 7,785
Conversion of debt into common stock	10,796	-
Capitalized straight-line rent	4,010	2,418
Restricted common stock issued, net of forfeitures	1,408	2,379
Net decrease in fair value of interest rate swaps	345	4,906
Issuance of notes for sale of Cozymel's	-	14,455

8. CONTINGENCIES

In January 1996, the Company entered into a Tip Reporting Alternative Commitment ("TRAC") agreement with the Internal Revenue Service (the "IRS"). The agreement required the Company, among other things, to implement tip reporting educational programs for its hourly restaurant employees and to establish tip reporting procedures, although employees remain ultimately responsible for accurately reporting their tips. The IRS alleged that the Company did not meet the requirements of the TRAC agreement and retroactively and unilaterally revoked it. As a result of the revocation, the IRS commenced an examination of the Company's 2000 through 2002 calendar years for payroll tax purposes. In December 2004, the Company paid an assessment of \$17.3 million for employer-only FICA taxes on unreported cash tips for the examination period. The Company recorded the \$17.3 million payment in restaurant expenses in the second quarter of fiscal 2005 and recorded a related income tax benefit of approximately \$16.9 million, consisting primarily of federal income tax credits related to the additional FICA taxes paid. The Company continues to believe that it was in full compliance with the TRAC agreement and that the IRS' retroactive revocation was unjustified, particularly in light of compliance reviews conducted by the IRS prior to the revocation. Nevertheless, the Company agreed to the resolution to avoid potentially costly and protracted litigation.

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

9. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During the second quarter of fiscal 2005, the Company corrected its computation of straight-line rent expense and the related deferred rent liability to include renewal options. Historically, when accounting for leases with renewal options, rent expense has been recorded on a straight-line basis over the initial non-cancelable lease term. Buildings and leasehold improvements on those properties are depreciated over a period equal to the shorter of the term of the lease, including option periods provided for in the lease, or the useful life of the assets. The Company determined that it should have recognized rent expense on a straight-line basis over sufficient renewal periods to equal or exceed the depreciable life of the assets, including cancelable option periods where failure to exercise such options would result in an economic penalty.

As a result of the restatement, rent expense for the third quarter and year-to-date of fiscal 2004 increased by approximately \$1.2 million and \$3.6 million, respectively. Additionally, diluted net earnings per share decreased by approximately \$0.01 and \$0.02 for the third quarter and year-to-date of fiscal 2004, respectively. The restatement does not have any impact on the Company's previously reported cash flows, sales or comparable store sales or compliance with any covenants under its credit facility or other debt instruments.

The impacts of the restatement on the consolidated statements of income for the third quarter and year-to-date of fiscal 2004 are summarized below:

**CONSOLIDATED STATEMENT OF INCOME
SUMMARY OF RESTATEMENT IMPACTS
THIRTEEN WEEK PERIOD ENDED MARCH 24, 2004
(In thousands, except per share amounts)
(Unaudited)**

	<u>AS REPORTED</u>	<u>ADJUSTMENTS</u>	<u>AS RESTATED</u>
Revenues	\$ 931,922	-	\$ 931,922
Operating Costs and Expenses:			
Cost of sales	255,759	-	255,759
Restaurant expenses (a)	507,879	1,180	509,059
Depreciation and amortization (a)	45,687	-	45,687
General and administrative	39,417	-	39,417
Restructure charges and other			
Impairments	<u>66,501</u>	<u>-</u>	<u>66,501</u>
Total operating costs and expenses	<u>915,243</u>	<u>1,180</u>	<u>916,423</u>
Operating income	16,679	(1,180)	15,499
Interest expense	2,722	-	2,722
Other, net	<u>1,103</u>	<u>-</u>	<u>1,103</u>
Income before provision for income taxes	12,854	(1,180)	11,674
Provision for income taxes	<u>12,116</u>	<u>(448)</u>	<u>11,668</u>
Net income	<u>\$ 738</u>	<u>(732)</u>	<u>\$ 6</u>
Basic net income per share	<u>\$ 0.01</u>	<u>(0.01)</u>	<u>\$ 0.00</u>
Diluted net income per share (b)	<u>\$ 0.01</u>	<u>(0.01)</u>	<u>\$ 0.00</u>
Basic weighted average			
shares outstanding	<u>95,973</u>		<u>95,973</u>
Diluted weighted average			
shares outstanding (b)	<u>98,007</u>		<u>98,007</u>

CONSOLIDATED STATEMENT OF INCOME
SUMMARY OF RESTATEMENT IMPACTS
THIRTY-NINE WEEK PERIOD ENDED MARCH 24, 2004
(In thousands, except per share amounts)
(Unaudited)

	<u>AS REPORTED</u>	<u>ADJUSTMENTS</u>	<u>AS RESTATED</u>
Revenues	\$ 2,689,310	-	\$ 2,689,310
Operating Costs and Expenses:			
Cost of sales	740,878	-	740,878
Restaurant expenses (a)	1,482,696	3,555	1,486,251
Depreciation and amortization (a)	133,033	-	133,033
General and administrative	109,339	-	109,339
Restructure charges and other			
Impairments	<u>68,535</u>	<u>-</u>	<u>68,535</u>
Total operating costs and expenses	<u>2,534,481</u>	<u>3,555</u>	<u>2,538,036</u>
Operating income	154,829	(3,555)	151,274
Interest expense	8,973	-	8,973
Other, net	<u>1,973</u>	<u>-</u>	<u>1,973</u>
Income before provision for income taxes	143,883	(3,555)	140,328
Provision for income taxes	<u>54,439</u>	<u>(1,349)</u>	<u>53,090</u>
Net income	<u>\$ 89,444</u>	<u>—(2,206)</u>	<u>\$ 87,238</u>
Basic net income per share	<u>\$ 0.93</u>	<u>—(0.03)</u>	<u>\$ 0.90</u>
Diluted net income per share (b)	<u>\$ 0.88</u>	<u>—(0.02)</u>	<u>\$ 0.86</u>
Basic weighted average shares outstanding	<u>96,510</u>		<u>96,510</u>
Diluted weighted average shares outstanding (b)	<u>106,151</u>		<u>106,151</u>

(a) Restaurant expenses and depreciation and amortization for the third quarter and year-to-date of fiscal 2004 have been adjusted for the reclassifications described in Note 1.

(b) Diluted net income per share and diluted weighted average shares outstanding for year-to-date fiscal 2004 include the impact of EITF 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings Per Share," which requires the 7.8 million shares associated with the contingently convertible debt be included in diluted weighted average shares outstanding. The impact of EITF 04-8 is not included in the calculation of diluted net income per share and diluted weighted average shares outstanding for the third quarter of fiscal 2004 because the effect would have been antidilutive.

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

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

	13 Week Periods Ended		39 Week Periods Ended	
	Mar. 30, <u>2005</u>	Mar. 24, <u>2004</u> (as restated)	Mar. 30, <u>2005</u>	Mar. 24, <u>2004</u> (as restated)
Revenues	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Operating Costs and Expenses:				
Cost of sales	28.3 %	27.4 %	28.2 %	27.5 %
Restaurant expenses	55.0 %	54.6 %	55.7 %	55.3 %
Depreciation and amortization	4.7 %	4.9 %	5.0 %	5.0 %
General and administrative	3.3 %	4.2 %	3.9 %	4.1 %
Restructure charges and other impairments	<u>0.0 %</u>	<u>7.2 %</u>	<u>1.8 %</u>	<u>2.5 %</u>
Total operating costs and expenses	<u>91.3 %</u>	<u>98.3 %</u>	<u>94.6 %</u>	<u>94.4 %</u>
Operating income	8.7 %	1.7 %	5.4 %	5.6 %
Interest expense	0.6 %	0.3 %	0.7 %	0.3 %
Other, net	<u>0.0 %</u>	<u>0.1 %</u>	<u>0.1 %</u>	<u>0.1 %</u>
Income before provision for income taxes	8.1 %	1.3 %	4.6 %	5.2 %
Provision for income taxes	<u>2.6 %</u>	<u>1.3 %</u>	<u>0.8 %</u>	<u>2.0 %</u>
Net income	<u>5.5 %</u>	<u>0.0 %</u>	<u>3.8 %</u>	<u>3.2 %</u>

The following table details the number of restaurant openings during the third quarter and year-to-date, total restaurants open at the end of the third quarter, and total projected openings in fiscal 2005.

	Third Quarter Openings		Year-to-Date Openings		Total Open at End Of Third Quarter		Projected Openings
	Fiscal <u>2005</u>	Fiscal <u>2004</u>	Fiscal <u>2005</u>	Fiscal <u>2004</u>	Fiscal <u>2005</u>	Fiscal <u>2004</u>	Fiscal <u>2005</u>
Chili's:							
Company-owned	20	18	57	56	793	742	77-80
Franchised	<u>10</u>	<u>3</u>	<u>21</u>	<u>16</u>	<u>258</u>	<u>220</u>	<u>25-30</u>
Total	30	21	78	72	1,051	962	102-110
Macaroni Grill:							
Company-owned	6	5	14	16	219	209	15-18
Franchised	<u>-</u>	<u>-</u>	<u>4</u>	<u>1</u>	<u>13</u>	<u>8</u>	<u>5-6</u>
Total	6	5	18	17	232	217	20-24
Maggiano's	1	-	5	3	33	28	5
On The Border:							
Company-owned	2	2	4	2	115	116	8-10
Franchised	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>	<u>18</u>	<u>0-1</u>
Total	2	2	4	2	133	134	8-11
Corner Bakery:							
Company-owned	1	-	2	2	84	86	6-9
Franchised	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
Total	1	-	2	2	87	89	6-9
Big Bowl	-	1	-	3	-	21	-
Rockfish Partnership	<u>-</u>	<u>1</u>	<u>-</u>	<u>4</u>	<u>21</u>	<u>24</u>	<u>-</u>
Grand Total	<u>40</u>	<u>30</u>	<u>107</u>	<u>103</u>	<u>1,557</u>	<u>1,475</u>	<u>141-159</u>

OVERVIEW

At March 30, 2005, the Company owned, operated, franchised, or was involved in the ownership of 1,557 restaurants. The Company intends to continue the expansion of its restaurant concepts by opening units in strategically desirable markets. 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 Company intends to concentrate on the development of certain identified markets to achieve penetration levels deemed desirable in order to improve competitive position, marketing potential and profitability. Expansion efforts will be focused not only on major metropolitan areas, but also on smaller market areas and non-traditional locations (such as airports, kiosks and food courts) that can adequately support any of the Company's restaurant concepts. 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.

The restaurant industry is a highly competitive business, which is sensitive to changes in economic conditions, trends in lifestyles and fluctuating costs. Operating margins for restaurants are susceptible to fluctuations in prices of commodities, which include among other things, beef, chicken, seafood, dairy, cheese, produce and other necessities to operate a restaurant such as natural gas or other energy supplies. Additionally, the restaurant industry is characterized by a high initial capital investment, coupled with high labor costs.

The fourth quarter of fiscal 2004 was a 14-week quarter, and the impact of the extra week will affect year-over-year comparisons accordingly. Revenues for the fourth quarter of fiscal 2005 are estimated to increase by 1% to 2% compared to the same quarter in fiscal 2004 driven by comparable store sales growth of 2% to 3%. Cost of sales, as a percent of sales, is estimated to be 0.5% to 0.6% higher than last year due primarily to increases in commodity costs for beef and chicken. Excluding potential gains resulting from the sale of assets, restaurant expenses, as a percent of sales, is estimated to be 0.6% to 0.7% higher than last year primarily due to the unfavorable comparison with the fourth quarter of fiscal 2004 which included the extra week. General and administrative expenses, as a percent of sales, will be 0.6% to 0.7% lower due to lower performance based expenses compared to the same quarter in fiscal 2004. The effective tax rate during the fourth quarter is estimated to be 32.2%.

REVENUES

Revenues for the third quarter of fiscal 2005 increased to \$1,009.5 million, 8.3% over the \$931.9 million generated for the same quarter of fiscal 2004. Revenues for the thirty-nine week period ended March 30, 2005 rose 6.7% to \$2,870.8 million from the \$2,689.3 million generated for the same period of fiscal 2004. The increases were primarily attributable to a net increase of 42 company-owned restaurants since March 24, 2004 and an increase in comparable store sales for the third quarter and year-to-date of fiscal 2005 compared to the same periods of fiscal 2004. The Company increased its capacity for the third quarter and year-to-date of fiscal 2005 by 3.7% and 3.5%, respectively, compared to the respective prior year periods. Comparable store sales increased 3.2% and 2.1% for the third quarter and year-to-date, respectively, from the same periods of fiscal 2004. Menu prices in the aggregate increased 2.6% for year-to-date fiscal 2005 as compared to fiscal 2004.

COSTS AND EXPENSES

Cost of sales, as a percent of revenues, increased 0.9% for the third quarter of fiscal 2005 as compared to the same period of fiscal 2004. The increase was due to a 1.0% increase in commodity prices for meat and poultry and a 0.8% unfavorable product mix shift for meat and seafood, partially offset by a 0.9% increase in menu prices. Cost of sales, as a percent of revenues, increased 0.7% for year-to-date fiscal 2005 as compared to the same period of fiscal 2004. The increase was due to a 0.9% increase in commodity prices for meat and poultry and a 0.7% unfavorable product mix shift for meat and seafood, partially offset by a 0.9% increase in menu prices.

Restaurant expenses, as a percent of revenues, increased 0.4% for both the third quarter and year-to-date fiscal 2005 as compared to the same periods of fiscal 2004. The increases were primarily due to increases in labor costs related to new product rollouts and service initiatives, partially offset by a \$2.0 million gain related to the sale of five Chili's restaurants to a new franchise partner and a decrease in advertising costs. The increases in year-to-date fiscal 2005 were also due to the \$17.3 million FICA tax assessment paid in resolution of the IRS dispute during the second quarter of fiscal 2005, partially offset by a \$1.8 million gain recorded during the second quarter of fiscal 2005 related to the early extinguishment of certain mortgage loan obligations and a \$3.8 million gain recorded during the first quarter of fiscal 2005 as a result of the sale of nine Chili's restaurants to a new franchise partner.

Depreciation and amortization increased \$2.2 million and \$9.1 million for the third quarter and year-to-date fiscal 2005, respectively, as compared to the same periods of fiscal 2004. The increases were due to new unit construction and ongoing remodel costs, partially offset by a decrease in depreciation related to the disposition of stores and a declining depreciable asset base for older units.

General and administrative expenses decreased \$6.1 million for the third quarter of fiscal 2005 as compared to the same period of fiscal 2004. The decrease was primarily due to a decrease in performance based compensation, partially offset by an increase in payroll costs resulting from an increase in headcount and severance. General and administrative expenses increased \$3.8 million for year-to-date fiscal 2005 as compared to the same period of fiscal 2004. The increase was primarily due to increased costs related to consumer research and an increase in payroll costs resulting from an increase in headcount and severance, partially offset by a decrease in performance based compensation.

Restructure charges and other impairments recorded during the third quarter of fiscal 2005 totaled \$350,000 and consisted of charges related to previously closed restaurants. Restructure charges and other impairments recorded year-to-date fiscal 2005 also include charges totaling \$36.0 million associated with the decision to dispose of Big Bowl, a \$16.9 million charge to fully impair the investment and notes receivable associated with Rockfish, a \$1.4 million charge associated with the closure of one Corner Bakery commissary, a \$1.0 million charge for an existing lease obligation associated with a sub-lease, and a \$3.0 million gain related to the thirty restaurants closed in fiscal 2004. Restructure charges and other impairments recorded during the third quarter of fiscal 2004 consist of a \$33.8 million charge for long-lived asset impairments related to the thirty restaurants closed during fiscal 2004, a goodwill impairment charge of \$27.0 million related to Big Bowl, and a \$5.7 million charge related to the settlement of all outstanding Cozymel's notes receivable. Restructure charges and other impairments recorded year-to-date fiscal 2004 also include a \$2.0 million loss resulting from the sale of Cozymel's during the second quarter of fiscal 2004.

Interest expense increased \$3.2 million and \$11.2 million for the third quarter and year-to-date fiscal 2005, respectively, as compared to the same periods of fiscal 2004. The increases were primarily due to interest expense related to the 5.75% notes issued in May 2004 (the "Notes"), partially offset by the redemption of the convertible senior debentures in January 2005.

Other, net decreased \$1.0 million for the third quarter of fiscal 2005 as compared to the same period of fiscal 2004. The decrease was primarily due to a decrease in the Company's net savings plan obligations in addition to no longer being required to record losses related to Rockfish as a result of fully impairing the investment during the first quarter of fiscal 2005. Other, net decreased \$361,000 year-to-date fiscal 2005 as compared to the same period of fiscal 2004 primarily due to an increase in interest income associated with the investment of proceeds received from the issuances of the Notes.

INCOME TAXES

The Company's effective income tax rate decreased to 32.2% from 100.0% for the third quarter of fiscal 2005 and to 17.2% from 37.8% for year-to-date fiscal 2005 as compared to the same periods of fiscal 2004. The decrease during the third quarter was primarily due to the Big Bowl goodwill impairment charge recorded during the third quarter of fiscal 2004, which was not deductible for tax purposes until the disposition of Big Bowl during the first quarter of fiscal 2005. The year-to-date decrease in the tax rate was primarily attributable to the disposition of Big Bowl, which allowed the Company to take tax deductions for goodwill impairment charges totaling \$48.6 million (\$21.6 million recorded during the first quarter of fiscal 2005 and \$27.0 million recorded in the third quarter of fiscal 2004) and an income tax benefit of approximately \$16.9 million, consisting primarily of federal income tax credits related to the additional FICA taxes paid as a result of the IRS resolution.

LIQUIDITY AND CAPITAL RESOURCES

Working capital decreased to a deficit of \$169.5 million at March 30, 2005 from a working capital surplus of \$21.8 million at June 30, 2004, primarily due to the cash redemption of the convertible senior debentures during the third quarter of fiscal 2005 and purchases of treasury stock during the first half of fiscal 2005. Net cash provided by operating activities decreased to \$330.6 million for the first nine months of fiscal 2005 from \$358.5 million during the same period in fiscal 2004 due to the timing of operational receipts and payments. The Company believes that its various sources of capital, including availability under existing credit facilities, ability to raise additional financing, and cash flow from operating activities, are adequate to finance operations as well as the repayment of current debt obligations.

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 \$245.6 million for the first nine months of fiscal 2005 compared to \$231.4 million for the same period of fiscal 2004. The Company estimates that its capital expenditures during the fourth quarter of fiscal 2005 will approximate \$90.0 million. These capital expenditures will be funded entirely from operations and existing credit facilities.

In April 2005, the Company paid the remaining \$14.2 million principal balance on the senior notes. Additionally, the Company paid \$23.9 million as a result of the early extinguishment of certain mortgage loan obligations during the second quarter of fiscal 2005. The Company funded these payments with cash on hand and available lines of credit.

In January 2005, the Company redeemed all of its convertible senior debentures. Debenture holders chose to convert a total of \$10.8 million of the accreted debenture value into 308,092 shares of common stock. The Company redeemed the balance of \$262.7 million of the accreted debenture value for cash. The Company funded the redemption with cash on hand and available lines of credit.

In December 2004, the Company resolved a dispute with the IRS and paid an assessment of \$17.3 million for employer-only FICA taxes. In connection with this payment, the Company also recorded an income tax benefit of approximately \$16.9 million, consisting primarily of federal income tax credits related to the additional FICA taxes paid.

During fiscal 2005, the Company sold fourteen Chili's restaurants to two new franchise partners and received cash proceeds totaling \$19.8 million. Additionally, the Company sold the remaining nine Big Bowl restaurants during the third quarter of fiscal 2005 and received cash proceeds totaling \$6.0 million.

In connection with the closing of thirty restaurants in fiscal 2004, the Company expects to generate cash of approximately \$15.0 million during fiscal 2005, primarily related to the sale of real estate.

Pursuant to the Company's stock repurchase plan, the Company repurchased approximately 4.7 million shares of its common stock for \$162.9 million during the first two quarters of fiscal 2005, of which 3.5 million shares were acquired under forward purchase contracts settled on October 21, 2004. There were no shares repurchased during the third quarter of fiscal 2005. As of March 30, 2005, approximately \$132.4 million was available under the Company's share repurchase authorizations. The Company's stock repurchase plan is primarily used to minimize the dilutive impact of stock option exercises. The repurchased common stock is recorded in treasury stock in the accompanying consolidated balance sheets.

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

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123 (Revised 2004), "Share-Based Payment," ("SFAS 123R"), which amends SFAS No. 123 and SFAS No. 95. SFAS 123R requires all companies to measure and record compensation cost for all share-based payments, including employee stock options, at fair value, and will be effective for annual periods beginning after June 15, 2005. The Company is currently evaluating the effect that this accounting change will have on its financial position and results of operations.

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.

Item 4. CONTROLS AND PROCEDURES

An evaluation was carried out under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures [as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")], as of the end of the period covered by this report. Based upon the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective in timely making known to them material information relating to the Company required to be disclosed in the Company's reports filed or submitted under the Exchange Act.

There were no changes in the Company's internal control over financial reporting or in other factors that could significantly affect this control during the quarter ended March 30, 2005, that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 verbal 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, performance or achievements to be materially different from any future results, 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, nutritional and dietary trends 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, county and/or municipality in which the restaurant is located. The Company generally has not encountered any material 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, the Company cannot ensure 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, various family leave mandates and a variety of other laws enacted, or rules and regulations promulgated, by federal, state and local governmental authorities that govern these and other employment matters. The Company expects increases in payroll expenses as a result of federal, state and local mandated increases in the minimum wage, and although such increases are not expected to be material, the Company cannot assure that there will not be material increases in the future. In addition, the Company's vendors may be affected by higher minimum wage standards, which may increase 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, have experienced significant and temporary increases in utility prices. If these increases should recur, they will have an adverse effect on the Company's profitability.

Successful mergers, acquisitions, divestitures and other strategic transactions are important to the future growth and profitability of the Company.

The Company intends to evaluate potential mergers, acquisitions, joint venture investments, and divestitures as part of its strategic planning initiative. These transactions involve various inherent risks, including accurately assessing the value, future growth potential, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates; the Company's ability to achieve projected economic and operating synergies; unanticipated changes in business and economic conditions affecting an acquired business; and the ability of the Company to complete divestitures on acceptable terms and at or near the prices estimated as attainable by the Company.

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 may 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 Chili's brand, and consequently on the Company's business, financial condition, and results of operations.

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

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

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is incorporated by reference from Note 8 to the Company's consolidated financial statements set forth in Part I of this report.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no shares repurchased during the third quarter of fiscal 2005. As of March 30, 2005, approximately \$132.4 million was available under the Company's share repurchase authorizations.

Item 6. EXHIBITS

31(a) Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 17 CFR 240.13a - 14(a) or 17 CFR 240.15d - 14(a).

31(b) Certification by Charles M. Sonstebly, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 17 CFR 240.13a - 14(a) or 17 CFR 240.15d - 14(a).

32(a) Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32(b) Certification by Charles M. Sonstebly, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

Date: May 9, 2005

BRINKER INTERNATIONAL, INC.

By: /s/ Douglas H. Brooks

Douglas H. Brooks
Chairman of the Board,
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 9, 2005

By: /s/ Charles M. Sonsteby

Charles M. Sonsteby
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATIONS

I, Douglas H. Brooks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brinker International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2005

/s/ Douglas H. Brooks

Douglas H. Brooks
Chairman of the Board,
President and Chief Executive Officer
(Principal Executive Officer)

I, Charles M. Sonsteby, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brinker International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2005

/s/ Charles M. Sonsteby
Charles M. Sonsteby
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32(a)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2005

By: /s/ Douglas H.

Brooks

Douglas H. Brooks
Chairman of the Board,
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32(b)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2005

By: /s/ Charles M.
Sonsteby
Charles M. Sonsteby
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)