UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 25, 2003 Commission File No. 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 (Address of principal executive offices)	75240 (Zip Code)

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ___

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes _X_ No ___

The aggregate market value of the voting stock held by persons other than directors and officers of registrant (who might be deemed to be affiliates of registrant) at September 9, 2003 was $3,302,094,716.00.

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

Class	Outstanding at September 9, 2003
Common Stock, $0.10 par value	96,726,082 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report to Shareholders for the fiscal year ended June 25, 2003, are incorporated by reference into Part II hereof, to the extent indicated herein. Portions of the registrant's Proxy Statement for its annual meeting of shareholders on November 13, 2003, to be dated on or about September 23, 2003, are incorporated by reference into Part III hereof, to the extent indicated herein.

PART I

Item 1. BUSINESS.

General

Brinker International, Inc. (the "Company") is principally engaged in the ownership, operation, development and franchising of the 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"), Cozymel's Coastal Grill ("Cozymel's"), Corner Bakery Cafe ("Corner Bakery"), and Big Bowl Asian Kitchen ("Big Bowl") restaurant concepts. Additionally, in July 2001, the Company acquired a 40% interest in the legal entities owning and developing Rockfish Seafood Grill ("Rockfish"). In October 2002, the Company made an additional capital contribution to Rockfish increasing its ownership interest to approximately 43%. The Company was organized under the laws of the State of Delaware in September 1983 to succeed to the business operated by Chili's, Inc., a Texas corporation, organized in August 1977. The Company completed the acquisitions of Macaroni Grill, On The Border, Cozymel's, Maggiano's, Corner Bakery and Big Bowl in November 1989, May 1994, July 1995, August 1995, August 1995, and February 2001, respectively.

Primary Restaurant Concepts

Chili's Grill & Bar

Chili's is a full-service restaurant, featuring a casual atmosphere and a varied menu of chicken, beef and seafood entrees, steaks, hamburgers, ribs, fajitas, sandwiches, salads, appetizers and desserts, all of which are prepared fresh daily according to special Chili's recipes. A full-service bar is available at each Chili's restaurant, with a variety of margaritas, including The Presidente Margarita, offered as the concept's specialty drink.

Chili's restaurants feature quick, efficient and friendly table service designed to minimize customer waiting time and facilitate table turnover, with an average turnover time per table of approximately 45 minutes. Service personnel are dressed casually in jeans, knit shirts, t-shirts, and aprons to reinforce the casual, informal environment. The decor of a Chili's restaurant consists of booth seating, tile-top tables, hanging plants and wood and brick walls covered with interesting memorabilia.

Emphasis is placed on serving substantial portions of fresh, high quality food at modest prices. Entree selections range in menu price from $5.79 to $13.99, with the average revenue per meal, including alcoholic beverages, approximating $11.38 per person. During the year ended June 25, 2003, food and non-alcoholic beverage sales constituted approximately 86.5% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 13.5%.

Romano's Macaroni Grill

Macaroni Grill is a casual, fun Italian restaurant full of the sights, sounds and aromas of a traditional Tuscan kitchen. Enjoyed for any occasion, guests enjoy their favorite Italian dishes along with special signature pastas, grilled features, seafood, salads and pizza - all prepared by talented chefs in open kitchens. The restaurant has an old world charm with wood burning ovens, festive string lights, fresh flowers, broad selection of wine, and display cooking. Guests are met with a sincere welcome at the door and enjoy warm, knowledgeable service. Additionally, guests enjoy the convenience of Macaroni Grill's Curbside To Go service where delicious, chef-prepared meals are delivered right to their cars for them to share at home with friends and family.

Entree selections range in menu price from $5.99 to $16.99 with monthly chef features priced separately. The average revenue per meal, including alcoholic beverages, is approximately $14.00 per person. During the year ended June 25, 2003, food and non-alcoholic beverage sales constituted approximately 87.1% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 12.9%.

Maggiano's Little Italy

Maggiano's restaurants are classic re-creations of dinner houses found in New York's Little Italy in the 1940s. Each of the Maggiano's restaurants is a casual, full-service Italian restaurant with a family-style menu as well as a full lunch and dinner menu offering Southern Italian appetizers, homemade bread, bountiful portions of pasta, chicken, seafood, veal and prime steaks, as well as a full range of alcoholic beverages. Most Maggiano's restaurants also feature extensive banquet facilities.

Entree selections range in menu price from $6.95 to $32.95, with the average revenue per meal, including alcoholic beverages, approximating $25.34 per person. During the year ended June 25, 2003, food and non-alcoholic beverage sales constituted approximately 78.2% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 21.8%.

On The Border Mexican Grill & Cantina

On The Border restaurants are full-service, casual Mexican restaurants featuring mesquite-grilled favorites and traditional Tex-Mex appetizers, entrees and desserts served in generous portions at modest prices. On The Border restaurants feature a full-service bar, an outdoor patio, booth and table seating in the dining room, and a colorful, festive atmosphere. On The Border restaurants also offer enthusiastic table service to facilitate table turnover while simultaneously providing customers with a satisfying casual dining experience. In addition, On The Border offers To Go service intended to fill the need for speed and convenience while offering a quality take-out experience. On The Border also offers catering service from simple drop-off delivery to full-service event planning.

Entree selections range in menu price from $5.49 to $13.99, with the average revenue per meal, including alcoholic beverages, approximating $13.40 per person. During the year ended June 25, 2003, food and non-alcoholic beverage sales constituted approximately 78.8% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 21.2%.

Cozymel's Coastal Grill

Cozymel's restaurants are casual, upscale coastal Mexican restaurants featuring a daily fresh fish special, grilled chicken and beef entrees, appetizers, desserts and a full-service bar featuring a wide variety of signature margaritas, martinis, wine and specialty frozen beverages. Cozymel's restaurants offer a "Tropical, not Typical" atmosphere, which includes an outdoor patio, intended to evoke the atmosphere of a coastal Mexican resort.

Entree selections range in menu price from $6.49 to $15.99 with the average revenue per meal, including alcoholic beverages, approximating $15.95 per person. During the year ended June 25, 2003, food and non-alcoholic beverage sales constituted approximately 76.0% of the concept's total restaurant revenues, with alcoholic beverages accounting for the remaining 24.0%.

Corner Bakery Cafe

Corner Bakery is a retail bakery cafe serving breakfast, lunch and dinner in the emerging quick-casual dining segment. Corner Bakery is committed to providing a variety of menu selections. Featured in the cafes are specialty sandwiches, fresh salads, hot soups, panini and pastas. While retaining a relaxed atmosphere, Corner Bakery exemplifies casual elegance, with most bakeries having both indoor and outdoor seating. Savory foods, breads and sweets are created seasonally to take advantage of the highest quality ingredients available. Corner Bakery catering offers a wide range of gift baskets, breakfast and sandwich trays and lunch boxes for any size meeting or social event.

Prices for menu items range from $1.00 to $6.99 with the average revenue per meal, including alcoholic beverages, approximating $7.49 per person. During the year ended June 25, 2003, food and non-alcoholic beverage sales constituted over 99.0% of the concept's total restaurant revenues. Catering sales constituted approximately 20.8% of such food and non-alcoholic beverage sales.

Big Bowl Asian Kitchen

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

Entree selections range in menu price from $6.95 to $12.95, with the average revenue per meal, including alcoholic beverages, approximating $13.00 per person. During the year ended June 25, 2003, food and non-alcoholic beverage sales constituted approximately 89.0% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 11.0%.

Jointly-Developed Concept

Rockfish Seafood Grill

Rockfish offers fresh, flavorful seafood dishes served in a lively environment. Reminiscent of a fly-fishing camp, the Rockfish decor features piney wood tables, river rock fireplaces and an open kitchen with chefs preparing the catch of the day. The restaurant serves a wide variety of reasonably priced seafood ranging from salmon and trout to catfish, shrimp and crab. Daily chalkboard specials featuring various items, including, when in-season, Copper River Salmon, are also very popular with diners. Friendly, attentive servers clad in Rockfish t-shirts and jeans add to the casual backdrop. All locations feature full-service bars and most have patio seating availability.

Entree selections range in menu price from $5.63 to $15.35 with chalkboard specials priced on a daily basis. The average revenue per meal, including alcoholic beverages, is approximately $14.00 per person. During the year ending June 25, 2003, food and alcoholic beverage sales constituted approximately 85.0% of the concept's total revenues, with alcoholic beverage sales accounting for the remaining 15.0%.

Business Development

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

The Company considers the restaurant site selection process critical to its long-term success and devotes significant effort to the investigation of new locations utilizing a variety of sophisticated analytical techniques. The site selection process evaluates a variety of factors: trade area demographics, such as target population density and household income levels; physical site characteristics such as visibility, accessibility and traffic volume; relative proximity to activity centers such as shopping centers, hotel and motel complexes and office buildings; and supply and demand trends, such as proposed infrastructure improvements, new developments, and potential competition. Members of management inspect, review and approve each restaurant site prior to its acquisition.

The Company periodically reevaluates restaurant sites to ensure that site selection attributes have not deteriorated below minimum standards. In the event site deterioration were to occur, the Company makes a concerted effort to improve the restaurant's performance by providing physical, operating and marketing enhancements unique to each restaurant's situation. If efforts to restore the restaurant's performance to acceptable minimum standards are unsuccessful, the Company considers relocation to a proximate, more desirable site, or evaluates closing the restaurant if the Company's measurement criteria, such as return on investment and area demographic trends, do not support relocation. Since inception, the Company has closed fifty-three restaurants, including twelve in fiscal 2003, which were performing below the Company's standards primarily due to declining trade area demographics. The Company operates pursuant to a strategic plan targeted to support the Company's long-term growth objectives, with a focus on continued development of those restaurant concepts that have the greatest return potential for the Company and its shareholders.

The following table illustrates the system-wide restaurants opened in fiscal 2003 and the planned openings in fiscal 2004:

	Fiscal 2003 Openings	Fiscal 2004 Projected Openings
Chili's:		
Company-Operated	68	72-75
Franchise	19	20-24
Macaroni Grill:		
Company-Operated	21	21-23
Franchise	2	3-4
Maggiano's	5	3-4
On The Border:		
Company-Operated	4	4-5
Franchise	1	0-1
Corner Bakery		
Company-Operated	12	5-8
Franchise	1	0
Big Bowl	7	2-3
Rockfish	8	4-6
Cozymel's	1	0
Total	149	134-153

The Company anticipates that some of the fiscal 2004 projected restaurant openings may be constructed pursuant to "build-to-suit" agreements, in which the lessor contributes some of the land cost and all, or substantially all, of the building construction costs. In other cases, the Company may either lease or own the land (paying for any owned land from its own funds) and either lease or own the building, furniture, fixtures and equipment (paying for any owned items from its own funds).

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

	Chili's	Macaroni Grill	Maggiano's	On The Border	Big Bowl	Corner Bakery
Land	$ 690,000	$ 870,000	$2,220,000	$ 820,000	$800,000	$ 600,000
Building	1,050,000	1,225,000	2,200,000	1,200,000	1,075,000	550,000
Furniture & Equipment	440,000	505,000	1,150,000	550,000	450,000	310,000
Other	60,000	80,000	70,000	80,000	60,000	30,000
Total	$2,240,000	$2,680,000	$5,640,000	$2,650,000	$2,385,000	$1,490,000

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

Franchise Operations

The Company intends to continue its expansion through franchise development, both domestically and internationally. At June 25, 2003, thirty-eight total joint venture or franchise development agreements existed. During the year ended June 25, 2003, nineteen Chili's, two Macaroni Grill, one Corner Bakery and one On The Border franchised restaurants were opened.

In fiscal 2003, the Company sold the Boise, Idaho Macaroni Grill restaurant to a franchisee and entered into the first domestic franchise development agreement for Macaroni Grill for the states of Washington and Oregon. In fiscal 2004, the first Chili's will open in Japan on the Kadena Air Force Base in Okinawa.

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

Jointly-Developed Operations

From time to time, the Company enters into agreements for research and development activities related to the testing of new restaurant concepts, typically acquiring a significant equity interest in such ventures. The Company's ownership interest in the legal entities owning the Rockfish restaurants is approximately 43%. At June 25, 2003, twenty Rockfish restaurants were operating, located in the states of Arizona, New Mexico and Texas.

Restaurant Management

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

The Company's restaurant management structure varies by concept. The individual restaurants themselves are led by a management team including a general manager and between two to five additional managers. The level of restaurant supervision depends upon the operating complexity and sales volume of each concept. An area director/supervisor is responsible for the supervision of, on average, three to seven restaurants. For those concepts with a significant number of units within a geographical region, additional levels of management may be provided.

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

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

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

Purchasing

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

Advertising and Marketing

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

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

Employees

At June 25, 2003, the Company employed approximately 96,200 persons, of whom approximately 1,100 were corporate personnel, 5,850 were restaurant area directors, managers or trainees and 89,250 were employed in non-management restaurant positions. The executive officers of the Company have an average of over 21 years of experience in the restaurant industry.

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

Trademarks

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

Risk Factors/Forward-Looking Statements

The Company wishes to caution readers that the following important factors, among others, could cause the actual results of the Company to differ materially from those indicated by forward-looking statements 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 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.

<u>The Company's sales volumes generally decrease in winter months</u>.

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.

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

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 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, 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. Although 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, 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.

<u>Inflation may increase the Company's operating expenses</u>.

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.

<u>Increased energy costs may adversely affect the Company's profitability</u>.

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.

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

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 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.

Available Information

The Company maintains an internet website with the address of http://www.brinker.com. Copies of the Company's reports filed with, or furnished to, the Securities and Exchange Commission on Forms 10-K, 10-Q, and 8-K and any amendments to such reports are available for viewing and copying at such internet website, free of charge, as soon as reasonably practicable after filing such material with, or furnishing it to, the Securities and Exchange Commission. In addition, copies of the Company's corporate governance materials, including, Corporate Governance Guidelines, Governance and Nominating Committee Charter, Audit Committee Charter, Compensation Committee Charter, Executive Committee Charter, Code of Conduct and Ethical Business Policy, and Problem Resolution Procedure/Whistle Blower Policy, are available for viewing and copying at the website, free of charge.

Item 2. PROPERTIES.

Restaurant Locations

At June 25, 2003, the Company's system of company-operated, jointly-developed and franchised units included 1,402 restaurants located in forty-nine states, Washington, D.C., Australia, Bahrain, Canada, Egypt, Great Britain, Guatemala, Indonesia, Kuwait, Lebanon, Malaysia, Mexico, Oman, Peru, Philippines, Puerto Rico, Qatar, Saudi Arabia, South Korea, Taiwan, United Arab Emirates, and Venezuela. The Company's portfolio of restaurants is illustrated below:

Chili's:	
Company-Operated	693
Franchise	207
Macaroni Grill:	
Company-Operated	194
Franchise	8
Maggiano's	25
On The Border:	
Company-Operated	114
Franchise	19
Corner Bakery:	
Company-Operated	85
Franchise	3
Big Bowl	18
Rockfish	20
Cozymel's	16
Total	1,402

The 900 Chili's restaurants include domestic locations in 49 states and foreign locations in 21 countries. The 202 Macaroni Grill restaurants include domestic locations in 38 states and foreign locations in Canada, Great Britain, Mexico and Puerto Rico. The Maggiano's, On The Border, Corner Bakery, Big Bowl and Cozymel's restaurants are located exclusively within the United States in 12 (and the District of Columbia), 31, 8 (and the District of Columbia), 6 and 9 states, respectively.

Restaurant Property Information

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

	Chili's	Macaroni Grill	Maggiano's	On The Border	Big Bowl
Square Feet	4,200 - 5,500	7,000 - 7,200	12,000 - 18,000	5,700 - 6,200	5,500 - 5,700
Dining Seats	145 - 215	250 - 275	500 - 725	225 - 235	195 - 200
Dining Tables	35 - 50	55 - 65	100 - 150	50 - 55	45 - 50

Corner Bakery's size and dining capacity varies based upon whether it is an in-line or kiosk location. For a Corner Bakery located in a kiosk, the square footage ranges from 80 to 200 square feet, the number of dining seats varies from 0 to 40, and the number of dining tables varies from 0 to 15. For in-line Corner Bakery locations, the square footage ranges from 1,971 to 5,347, the number of dining seats ranges from 60 to 150, and the number of dining tables ranges from 20 to 50.

Certain of the Company's restaurants are leased for an initial term of 5 to 30 years, with renewal terms of 1 to 35 years. The leases typically provide for a fixed rental plus percentage rentals based on sales volume. At June 25, 2003, the Company owned the land and/or building for 814 of the 1,145 Company-operated restaurants. The Company considers that its properties are suitable, adequate, well-maintained and sufficient for the operations contemplated.

Other Properties

The Company leases warehouse space totaling approximately 39,150 square feet in Carrollton, Texas, which it uses for storage of equipment and supplies. The Company owns an office building containing approximately 108,021 square feet which it uses for part of its corporate headquarters and menu development activities. The Company leases an additional office complex containing approximately 198,000 square feet for the remainder of its corporate headquarters, of which approximately 151,860 square feet is currently utilized by the Company, and the remaining 46,140 square feet is under lease, listed for lease to third party tenants, or reserved for future expansion of the Company headquarters. The Company also leases office space in Arizona, California, Colorado, the District of Columbia, Florida, Illinois, Missouri, New Jersey, North Carolina, Rhode Island and Texas for use as regional operation or real estate/construction offices. The size of these office leases range from 144 square feet to 3,600 square feet. The Company owns or leases warehouse space in California, Georgia, Illinois and Texas for use as commissaries for the preparation of bread and other food products for its Corner Bakery stores. The size of these commissaries range from 11,383 square feet to 20,000 square feet.

Item 3. LEGAL PROCEEDINGS.

In April 2003, the Attorney General of California filed a complaint under California's Proposition 65 seeking penalties and injunctive relief against multiple restaurant groups, including the Company. Proposition 65 is a notice statute requiring a party to advise the public and its employees if a premise contains products that are known to cause cancer or reproductive toxicity. Methyl mercury compounds, which are listed under Proposition 65 to cause cancer and reproductive toxicity, can be found in certain select fish that have been or are served by the Company's restaurants. The complaint alleges the Company did not post appropriate notices in its restaurants related to these mercury compounds. The Company is in the preliminary stages of settlement discussions with the Attorney General. It is not possible at this time to reasonably estimate the possible loss or range of loss.

Due to the size of the Company and the nature of its business, the Company is routinely subject to compliance reviews by the Internal Revenue Service ("IRS") and other taxing jurisdictions on various tax matters, including challenges to various positions the Company asserts. The Company believes it has adequately accrued for tax contingencies that have met both the probable and reasonably estimable criteria. There are no amounts accrued for certain other tax contingencies that do not meet this criteria. In the event that the IRS or another taxing jurisdiction levies an assessment in the future, it is possible the assessment could have a material adverse effect on the Company's consolidated financial condition or results of operations.

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

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

None.

PART II

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

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

Fiscal year ended June 25, 2003:

	High	Low
First Quarter	$32.60	$25.12
Second Quarter	$32.25	$25.64
Third Quarter	$32.95	$26.40
Fourth Quarter	$36.68	$30.30

Fiscal Year ended June 26, 2002:

	High	Low
First Quarter	$27.41	$22.45
Second Quarter	$30.04	$22.51
Third Quarter	$35.45	$29.39
Fourth Quarter	$35.10	$30.03

As of September 9, 2003, there were 1,177 holders of record of the Company's common stock.

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

In October 2001, the Company issued $431.7 million aggregate principal amount at maturity of Zero Coupon Convertible Senior Debentures Due 2021 (the "Debentures"). The Debentures and the common stock issuable upon conversion of the Debentures were not registered under the Securities Act of 1933, as amended. Banc of America Securities LLC and Salomon Smith Barney Inc. served as the joint book-running managers for the offering. The Debentures were offered and sold only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act of 1933, as amended). The aggregate offering price for the Debentures was approximately $250.0 million and the aggregate underwriting discount of 2.125% was approximately $5.3 million. The Debentures are redeemable at the Company's option beginning 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 $1,000 Debenture is convertible into 18.08 shares of the Company's common stock if the stock's market price exceeds 120% of the accreted conversion price at specified dates, the Company exercises its option to redeem the Debentures, a credit rating of the Debentures is reduced below Baa3 and BBB-, or upon the occurrence of certain specified corporate transactions. The accreted conversion price is equal to the issue price of the Debenture plus accrued original issue discount divided by 18.08 shares. The proceeds of the offering were used for repayment of existing indebtedness, restaurant acquisitions, purchases of outstanding common stock under the Company's stock repurchase plan, and for general corporate purposes.

Except as described in the immediately preceding paragraph, during the three-year period ended on September 9, 2003, the Company issued no securities which were not registered under the Securities Act of 1933, as amended.

Item 6. SELECTED FINANCIAL DATA.

"Selected Financial Data" is incorporated herein by reference from the 2003 Annual Report to Shareholders and is presented on page F-1 of Exhibit 13 to this report.

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

"Management's Discussion and Analysis of Financial Condition and Results of Operations" is incorporated herein by reference from the 2003 Annual Report to Shareholders and is presented on pages F-2 through F-10 of Exhibit 13 to this report.

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

"Quantitative and Qualitative Disclosures About Market Risk" contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations" is incorporated herein by reference from the 2003 Annual Report to Shareholders and is presented on page F-6 of Exhibit 13 to this report.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Reference is made to the Index to Financial Statements attached hereto on page 18 for a listing of all financial statements incorporated by reference from the 2003 Annual Report to Shareholders attached as part of Exhibit 13 to this report.

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

Not applicable.

Item 9A. CONTROLS AND PROCEDURES.

Within the 90-day period prior to the filing of this report, 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-14(c) under the Securities Exchange Act of 1934). 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.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

"Election of Directors - Information About Nominees", "Board Organization", "Executive Officers", and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement to be dated on or about September 23, 2003, for the annual meeting of shareholders on November 13, 2003, are incorporated herein by reference.

The Company has adopted a code of ethics that applies to all members of Board of Directors and employees of the Company, including, the principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Company has posted a copy of the code on the Company's internet website at the internet address: http://www.brinker.com/corp_gov/ethical_business_policy_pf.asp. Copies of the code may be obtained free of charge from the Company's website at the above internet address.

Item 11. EXECUTIVE COMPENSATION.

"Executive Compensation" and "Report of the Compensation Committee" in the Company's Proxy Statement to be dated on or about September 23, 2003, for the annual meeting of shareholders on November 13, 2003, are incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

"Election of Directors - Stock Ownership of Directors", "Executive Compensation - Equity Compensation Plan Information", and "Stock Ownership of Certain Persons" in the Company's Proxy Statement to be dated on or about September 23, 2003, for the annual meeting of shareholders on November 13, 2003, are incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

"Compensation Committee Interlocks and Insider Participation" in the Company's Proxy Statement to be dated on or about September 23, 2003, for the annual meeting of shareholders on November 13, 2003, is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

"Report of the Audit Committee" in the Company's Proxy Statement to be dated on or about September 23, 2003, for the annual meeting of shareholders on November 13, 2003, is incorporated herein by reference.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) (1) Financial Statements.

Reference is made to the Index to Financial Statements attached hereto on page 18 for a listing of all financial statements attached as Exhibit 13 to this report.

(a) (2) Financial Statement Schedules.

None.

(a) (3) Exhibits.

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

(b) Reports on Form 8-K.

A current report on Form 8-K, dated April 23, 2003, was filed with the Securities and Exchange Commission on April 29, 2003. This Form 8-K furnished a copy of the Company's press release announcing its third quarter fiscal 2003 results.

A current report on Form 8-K, dated June 5, 2003, was filed with the Securities and Exchange Commission on June 6, 2003. This Form 8-K furnished a copy of the Company's press release regarding the Company's planned transition for the duties of the Company's chief executive officer.

SIGNATURES

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

BRINKER INTERNATIONAL, INC.,
a Delaware corporation
By: /s/ Charles M. Sonsteby
Charles M. Sonsteby, Executive Vice
President and Chief Financial Officer

Dated: September 23, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons of the registrant and in the capacities indicated on September 23, 2003.

Name	Title
/s/ Ronald A. McDougall Ronald A. McDougall	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ Charles M. Sonsteby Charles M. Sonsteby	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Douglas H. Brooks Douglas H. Brooks	President and Director
/s/ Dan W. Cook, III Dan W. Cook, III	Director
Robert M. Gates	Director
/s/ Marvin J. Girouard Marvin J. Girouard	Director
/s/ Ronald Kirk Ronald Kirk	Director
George R. Mrkonic	Director
/s/ Erle Nye Erle Nye	Director
/s/ James E. Oesterreicher James E. Oesterreicher	Director
/s/ Cece Smith Cece Smith	Director
/s/ Roger T. Staubach Roger T. Staubach	Director

INDEX TO FINANCIAL STATEMENTS

The following is a listing of the financial statements which are attached hereto as part of Exhibit 13.

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

INDEX TO EXHIBITS

Exhibit	
3(a)	Certificate of Incorporation of the Registrant, as amended. (1)
3(b)	Bylaws of the Registrant. (1)
4(a)	Form of Zero Coupon Convertible Senior Debenture Due 2021. (2)
4(b)	Indenture between the Registrant and SunTrust Bank, as Trustee. (2)
4(c)	Registration Rights Agreement by and among the Registrant and the initial purchasers of the Debentures. (3)
10(a)	Registrant's 1991 Stock Option Plan for Non-Employee Directors and Consultants. (4)
10(b)	Registrant's 1992 Incentive Stock Option Plan. (4)
10(c)	Registrant's Stock Option and Incentive Plan. (5)
10(d)	Registrant's 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants. (6)
10(e)	Transition Agreement dated June 5, 2003, by and among Registrant, Brinker International Payroll Company, L.P. and Mr. Ronald A. McDougall. (5)
13	2003 Annual Report to Shareholders. (7)
21	Subsidiaries of the Registrant. (5)
23	Independent Auditors' Consent. (5)
31(a)	Certification by Ronald A. McDougall, Chairman of the Board and Chief Executive Officer of the Registrant, pursuant to 17 CFR 240.13a - 14(a) or 17 CFR 240.15d - 14(a). (5)
31(b)	Certification by Charles M. Sonsteby, 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). (5)
32(a)	Certification by Ronald A. McDougall, Chairman of the Board 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. (5)
32(b)	Certification by Charles M. Sonsteby, 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. (5)
99(a)	Proxy Statement of Registrant. (8)

---

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

(2) Filed as an exhibit to registration statement on Form S-3 filed December 11, 2001, SEC File No. 333-74902, and incorporated herein by reference.
(3) Filed as an exhibit to quarterly report on Form 10-Q for the quarterly period ended September 26, 2001, and incorporated herein by reference.
(4) Filed as an exhibit to annual report on Form 10-K for the year ended June 25, 1997, and incorporated herein by reference.
(5) Filed herewith.
(6) Filed as an exhibit to annual report on Form 10-K for the year ended June 28, 2000, and incorporated herein by reference.
(7) Portions filed herewith, to the extent indicated herein.
(8) To be filed on or about September 23, 2003.

BRINKER INTERNATIONAL, INC.
STOCK OPTION AND INCENTIVE PLAN

SECTION 1

GENERAL

1.1 *Purpose*. The Brinker International, Inc. Stock Option and Incentive Plan (the "Plan") has been established by Brinker International, Inc. (the "Company") (i) to attract and retain persons eligible to participate in the Plan; (ii) motivate Participants, by means of appropriate incentives, to achieve long-range goals; (iii) provide incentive compensation opportunities that are competitive with those of other similar companies; and (iv) further align Participants' interests with those of the Company's other shareholders through compensation that is based on the Company's common stock; and thereby promote the long-term financial interest of the Company and the Related Companies, including the growth in value of the Company's equity and enhancement of long-term shareholder return.

1.2 *Participation*. Subject to the terms and conditions of the Plan, the Committee shall determine and designate, from time to time, from among the Eligible Employees, those persons who will be granted one or more Awards under the Plan, and thereby become "Participants" in the Plan. In the discretion of the Committee, a Participant may be granted any Award permitted under the provisions of the Plan, and more than one Award may be granted to a Participant. Awards may be granted as alternatives to or replacement of awards outstanding under the Plan, or any other plan or arrangement of the Company or a Related Company (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Related Company).

1.3 *Operation, Administration and Definitions*. The operation and administration of the Plan, including the Awards made under the Plan, shall be subject to the provisions of Section 4 (relating to operation and administration). Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of Section 7 of the Plan).

SECTION 2

OPTIONS AND SARS

2.1 *Definitions*.

(a) The grant of an "Option" entitles the Participant to purchase shares of Stock at an Exercise Price established by the Committee. Options granted under this Section 2 may be either Incentive Stock Options or Non-Qualified Stock Options, as determined in the discretion of the Committee. An "Incentive Stock Option" is an Option that is intended to satisfy the requirements applicable to an "incentive stock option" described in section 422(b) of the Code. A "Non-Qualified Option" is an Option that is not intended to be an incentive stock option" as that term is described in section 422(b) of the Code.

(b) A stock appreciation right (an "SAR") entitles the Participant to receive, in cash or Stock (as determined in accordance with subsection 2.5), value equal to all or a portion of the excess of: (a) the Fair Market Value of a specified number of shares of Stock at the time of exercise; over (b) an Exercise Price established by the Committee.

2.2 *Exercise Price*. The "Exercise Price" of each Option and SAR granted under this Section 2 shall be established by the Committee or shall be determined by a method established by the Committee at the time the Option or SAR is granted, except that the Exercise Price shall not be less than 100% of the Fair Market Value of a share of Stock as of the Pricing Date. For purposes of the preceding sentence, the "Pricing Date" shall be the date on which the Option or SAR is granted, except that the Committee may provide that: (i) the Pricing Date is the date on which the recipient is hired or promoted (or similar event), if the grant of the Option or SAR occurs not more than 90 days after the date of such hiring, promotion or other event; and (ii) if an Option or SAR is granted in tandem with, or in substitution for, an outstanding Award, the Pricing Date is the date of grant of such outstanding Award.

2.3 *Exercise*. An Option and an SAR shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee.

2.4 *Payment of Option Exercise Price*. The payment of the Exercise Price of an Option granted under this Section 2 shall be subject to the following:

(a) Subject to the following provisions of this subsection 2.4, the full Exercise Price for shares of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in paragraph 2.4(c), payment may be made as soon as practicable after the exercise).

(b) The Exercise Price shall be payable in cash or by tendering shares of Stock (by either actual delivery of shares or by attestation, with such shares valued at Fair Market Value as of the day of exercise), or in any combination thereof, as determined by the Committee.

(c) The Committee may permit a Participant to elect to pay the Exercise Price upon the exercise of an Option by authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise.

2.5 *Settlement of Award*. Distribution following exercise of an Option or SAR, and shares of Stock distributed pursuant to such exercise, shall be subject to such conditions, restrictions and contingencies as the Committee may establish. Settlement of SARs may be made in shares of Stock (valued at their Fair Market Value at the time of exercise), in cash, or in a combination thereof, as determined in the discretion of the Committee. The Committee, in its discretion, may impose such conditions, restrictions and contingencies with respect to shares of Stock acquired pursuant to the exercise of an Option or an SAR as the Committee determines to be desirable.

SECTION 3

OTHER STOCK AWARDS

3.1 *Definition*. A Stock Award is a grant of shares of Stock or of a right to receive shares of Stock (or their cash equivalent or a combination of both) in the future.

3.2 *Restrictions on Stock Awards*. Each Stock Award shall be subject to such conditions, restrictions and contingencies as the Committee shall determine. These may include continuous service and/or the achievement of Performance Measures. The Committee may designate a single goal criterion or multiple goal criteria for performance measurement purposes, with the measurement based on absolute Company or business unit performance and/or on performance as compared with that of other publicly traded companies. If the right to become vested in a Stock Award granted under this Section 3 is conditioned on the completion of a specified period of service with the Company and the Related Companies, without achievement of Performance Measures or other objectives being required as a condition of vesting, then the required period of service for vesting shall be not less than three years (subject to acceleration of vesting, to the extent permitted by the Committee, in the event of the Participant's death, disability, change in control or involuntary termination).

SECTION 4

OPERATION AND ADMINISTRATION

4.1 *Effective Date*. The Plan shall be effective as of September 3, 1998 (the "Effective Date"), shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Awards under it are outstanding.

4.2 *Shares Subject to Plan*.

(a) (i) Subject to the following provisions of this subsection 4.2, the maximum number shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be equal to the sum of: (I) 13,500,000 shares of Stock and (II) any shares of Stock that are represented by awards granted under any prior plan of the Company in which employees are eligible to participate (the "Prior Plans"), which are forfeited, expire or are canceled without delivery of shares of Stock or which result in the forfeiture of shares of Stock back to the Company.

(ii) Any shares of Stock granted under the Plan that are forfeited because of the failure to meet an Award contingency or condition shall again be available for delivery pursuant to new Awards granted under the Plan. To the extent any shares of Stock covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or canceled, or the shares of Stock are not delivered because the Award is settled in cash, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

(iii) If the Exercise Price of any stock option granted under the Plan or any Prior Plan is satisfied by tendering shares of Stock to the Company (by either actual delivery or by attestation), only the number of shares of Stock issued net of the shares of Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

(iv) Shares of Stock delivered under the Plan in settlement, assumption or substitution of outstanding awards (or obligations to grant future awards) under the plans or arrangements of another entity shall not reduce the maximum number of shares of Stock available for delivery under the Plan, to the extent that such settlement, assumption or substitution as a result of the Company or a Related Company acquiring another entity (or an interest in another entity).

(b) Subject to paragraph 4.2(c), the following additional maximums are imposed under the Plan.

(i) The maximum number of shares of Stock that may be issued by Options intended to be Incentive Stock Options shall be 13,500,000 shares.

(ii) The maximum number of shares of Stock that may be issued in conjunction with Awards granted pursuant to Section 3 (relating to Stock Awards) shall equal the sum of: (I) 500,000 shares and (II) any shares issued in conjunction with Stock Awards during the time period commencing on the Effective Date and ending on November 13, 2002.

(iii) The maximum number of shares that may be covered by Awards granted to any one individual pursuant to Section 2 (relating to Options and SARs) shall be 500,000 shares during any fiscal year.

(iv) The maximum payment that can be made for awards granted to any one individual pursuant to Section 3 (relating to Stock Awards) shall be $1,000,000 for any single or combined performance goals established for any fiscal year. If an Award granted under Section 3 is, at the time of grant, denominated in shares, the value of the shares of Stock for determining this maximum individual payment amount will be the Fair Market Value of a share of Stock on the first day of the applicable performance period.

(c) Subject to the provisions of Section 6 hereof, in the event of a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the Committee may adjust Awards to preserve the benefits or potential benefits of the Awards. Action by the Committee may include adjustment of: (i) the number and kind of shares which may be delivered under the Plan; (ii) the number and kind of shares subject to outstanding Awards; and (iii) the Exercise Price of outstanding Options and SARs as well as any other adjustments that the Committee determines to be equitable.

4.3 *Limit on Distribution*. Distribution of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any shares of Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act of 1933), and the applicable requirements of any securities exchange or similar entity.

(b) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Stock, the issuance may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

4.4 *Tax Withholding*. Whenever the Company proposes or is required to distribute Stock under the Plan, the Company may require the recipient to remit to the Company an amount sufficient to satisfy any Federal, state and local tax withholding requirements prior to the delivery of any certificate for such shares or, in the discretion of the Committee, the Company may withhold from the shares to be delivered shares sufficient to satisfy all or a portion of such tax withholding requirements. Whenever under the Plan payments are to be made in cash, such payments may be net of an amount sufficient to satisfy any Federal, state and local tax withholding requirements.

4.5 *Payment Shares*. Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan, the Committee may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Related Company, including the plans and arrangements of the Company or a Related Company acquiring another entity (or an interest in another entity).

4.6 *Dividends and Dividend Equivalents*. An Award may provide the Participant with the right to receive dividends or dividend equivalent payments with respect to Stock which may be either paid currently or credited to an account for the Participant, and may be settled in cash or Stock as determined by the Committee. Any such settlements, and any such crediting of dividends or dividend equivalents or reinvestment in shares of Stock, may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including the reinvestment of such credited amounts in Stock equivalents.

4.7 *Payments*. Awards may be settled through cash payments, the delivery of shares of Stock, the granting of replacement Awards, or combination thereof as the Committee shall determine. Any Award settlement, including payment deferrals, may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may permit or require the deferral of any Award payment, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest, or dividend equivalents, including converting such credits into deferred Stock equivalents.

4.8 *Transferability*. Except as otherwise provided by the Committee, Awards under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution. Notwithstanding the foregoing, Options may be assigned or transferred by the Participant (a) to immediate family members of the Participant or (b) to a trust in which the Participant or such family members have more than 50% of the beneficial interests, a foundation in which the Participant or such family members control the management of the foundation's assets, or any other entity in which the Participant or such family members own more than 50% of the voting interests.

4.9 *Form and Time of Elections*. Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in writing filed with the Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

4.10 *Agreement With Company*. At the time of an Award to a Participant under the Plan, the Committee may require a Participant to enter into an agreement with the Company (the "Agreement") in a form specified by the Committee, agreeing to the terms and conditions of the Plan and to such additional terms and conditions, not inconsistent with the Plan, as the Committee may, in its sole discretion, prescribe.

4.11 *Limitation of Implied Rights*.

(a) Neither a Participant nor any other person shall, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Company or any Related Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Related Company, in their sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Related Company. Nothing contained in the Plan shall constitute a guarantee that the assets of such companies shall be sufficient to pay any benefits to any person.

(b) The Plan does not constitute a contract of employment, and selection as a Participant will not give any employee the right to be retained in the employ of the Company or any Related Company, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any right as a shareholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights.

4.12 *Evidence*. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

4.13 *Action by Company or Related Company*. Any action required or permitted to be taken by the Company or any Related Company shall be by resolution of its board of directors, or by action of one or more members of the board (including a committee of the board) who are duly authorized to act for the board, or (except to the extent prohibited by applicable law or applicable rules of any stock exchange) by a duly authorized officer of the company.

4.14 *Gender and Number*. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

SECTION 5

COMMITTEE

5.1 *Administration*. The authority to control and manage the operation and administration of the Plan shall be vested in the Compensation Committee (the "Committee") in accordance with this Section 5. The Committee shall be selected by the Board and shall consist of two or more members of the Board.

5.2 *Powers of Committee*. The authority to manage and control the operation and administration of the Plan shall be vested in the Committee, subject to the following:

(a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Employees those persons who shall receive Awards. to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards, and (subject to the restrictions imposed by Section 6) to cancel or suspend Awards. In making such Award determinations, the Committee may take into account the nature of services rendered by the individual, the individual's present and potential contribution to the Company's success and such other factors as the Committee deems relevant.

(b) Subject to the provisions of the Plan, the Committee will have the authority and discretion to determine the extent to which Awards under the Plan will be structured to conform to the requirements applicable to performance-based compensation as described in Code section 162(m), and to take such action, establish such procedures, and impose such restrictions at the time such Awards are granted as the Committee determines to be necessary or appropriate to conform to such requirements.

(c) Subject to the provisions of the Plan, the Committee will have the authority and discretion to establish terms and conditions of awards as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States.

(d) The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any agreements made pursuant to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(e) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding.

(f) Except as otherwise expressly provided in the Plan, where the Committee is authorized to make a determination with respect to any Award, such determination shall be made at the time the Award is made, except that the Committee may reserve the authority to have such determination made by the Committee in the future (but only if such reservation is made at the time the Award is granted and is expressly stated in the Agreement reflecting the Award).

(g) In controlling and managing the operation and administration of the Plan, the Committee shall act by a majority of its then members, by meeting or by writing filed without a meeting. The Committee shall maintain and keep adequate records concerning the Plan and concerning its proceedings and acts in such form and detail as the Committee may decide.

5.3 *Delegation by Committee*. Except to the extent prohibited by applicable law or the applicable rules of a stock exchange and subject to the prior approval of the Board, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

5.4 *Information to be Furnished to Committee*. The Company and Related Companies shall furnish the Committee with such data and information as may be required for it to discharge its duties. The records of the Company and Related Companies as to an employee's or Participant's employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

SECTION 6

ACCELERATION OF EXERCISABILITY
AND VESTING UNDER CERTAIN CIRCUMSTANCES

Notwithstanding any provision in this Plan to the contrary, with regard to any Award of Options, SARs and Stock Awards to any Participant, unless the particular grant agreement provides otherwise, all Awards will become immediately exercisable and vested in full upon the occurrence, before the expiration or termination of such Option, SARs and Stock Awards or forfeiture of such Awards, of any of the events listed below:

(a) a sale, transfer or other conveyance of all or substantially all of the assets of the Company on a consolidated basis; or

(b) the acquisition of beneficial ownership (as such term is defined in Rule 13d-3 promulgated under the Exchange Act) by any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, directly or indirectly, of securities representing 50% or more of the total number of votes that may be cast for the election of directors of the Company; or

(c) the commencement (within the meaning of Rule 14d-2 promulgated under the Exchange Act) of a "tender offer" for stock of the Company subject to Section 14(d)(2) of the Exchange Act; or

(d) the failure at any annual or special meeting of the Company's stockholders following an "election contest" subject to Rule 14a-11 promulgated under the Exchange Act, of any of the persons nominated by the Company in the proxy material mailed to stockholders by the management of the Company to win election to seats on the Board, excluding only those who die, retire voluntarily, are disabled or are otherwise disqualified in the interim between their nomination and the date of the meeting.

SECTION 7

AMENDMENT AND TERMINATION

The Committee may, at any time, amend or terminate the Plan, provided that, subject to subsection 4.2 (relating to certain adjustments to shares) and Section 6 hereof (relating to immediate vesting upon certain events), no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board. Notwithstanding anything herein to the contrary, no amendment to the Plan that would (a) materially increase the number of shares available under the Plan (other than an increase solely to reflect a reorganization, stock split, merger, spin-off or similar transaction), (b) change the types of Awards available under the Plan, (c) materially expand the class of persons eligible to receive Awards under or otherwise participate in the Plan, (d) materially extend the term of the Plan, (e) materially change the method of determining the strike price of options under the Plan, or (f) permit repricing of an option, may be adopted without the approval of the Company's stockholders.

SECTION 8

DEFINED TERMS

For purposes of the Plan, the terms listed below shall be defined as follows:

(a) *Award*. The term "Award" shall mean any award or benefit granted to any Participant under the Plan, including, without limitation, the grant of Options, SARs, and Stock Awards.

(b) *Board*. The term "Board" shall mean the Board of Directors of the Company.

(c) *Code*. The term "Code" means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.

(d) The term "Eligible Employee" shall mean any employee of the Company or a Related Company.

(e) *Fair Market Value*. For purposes of determining the "Fair Market Value" of a share of Stock, the following rules shall apply:

(i) If the Stock is at the time listed or admitted to trading on any stock exchange, then the "Fair Market Value" shall be the mean between the lowest and highest reported sale prices of the Stock on the date in question on the principal exchange on which the Stock is then listed or admitted to trading. If no reported sale of Stock takes place on the date in question on the principal exchange, then the reported closing asked price of the Stock on such date on the principal exchange shall be determinative of "Fair Market Value."

(ii) If the Stock is not at the time listed or admitted to trading on a stock exchange, the "Fair Market Value" shall be the mean between the lowest reported bid price and highest reported asked price of the Stock on the date in question in the over-the-counter market, as such prices are reported in a publication of general circulation selected by the Committee and regularly reporting the market price of Stock in such market.

(iii) If the Stock is not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, the "Fair Market Value" shall be as determined in good faith by the Committee.

(f) *Exchange Act*. The term "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(g) *Related Companies*. The term "Related Company" means any company during any period in which it is a "parent company" (as that term is defined in Code section 424(e)) with respect to the Company, or a "subsidiary corporation" (as that term is defined in Code section 424(f)) with respect to the Company.

(h) *Stock*. The term "Stock" shall mean shares of common stock of the Company.

TRANSITION AGREEMENT

This **TRANSITION AGREEMENT** (this "Agreement") is entered into as of June 5, 2003, by and between **BRINKER INTERNATIONAL, INC.**, a Delaware corporation ("Brinker"), **BRINKER INTERNATIONAL PAYROLL COMPANY, L.P.**, a Delaware limited partnership ("BIPC" and together with Brinker, the "Company"), and **RONALD A. MCDOUGALL**, a resident of Texas ("Executive").

WHEREAS, Executive is currently employed by BIPC, and is the Chairman of the Board of Directors (the "Board") and Chief Executive Officer ("CEO") of, Brinker; and

WHEREAS, the Company and Executive desire to plan and implement the Board's succession plan for the executive leadership of the Company;

NOW THEREFORE, Executive and the Company hereby agree as follows:

1. Executive's Status with the Company. Executive will remain as Chairman of the Board and CEO through December 31, 2003, on which date Executive will retire as CEO. Brinker will nominate Executive for re-election as a director at the 2003 annual meeting of stockholders and use its best efforts to cause the stockholders of Brinker to so elect Executive. Assuming such election by the stockholders, Executive will continue as Chairman of the Board through the date of the 2004 annual meeting of stockholders (anticipated to be in November 2004). The Company and the Executive will discuss in good faith during 2004 whether or not a further extension of Executive's service as Chairman is mutually desirable.

2. Performance of Duties. Executive agrees that through December 31, 2003, he will continue to devote his full business time and his best efforts, skills and abilities during business time exclusively to the performance of his duties as stated in this Agreement and to the furtherance of the Company's business. Thereafter, Executive will devote such portion of his business time as is customary for independent chairpersons of publicly-held corporations comparable to Brinker. Further, during the period of January 1, 2004 through June 30, 2004, Executive will devote such additional portion of his business time as is necessary to assist his successor as CEO in the smooth transition of Executive's responsibilities.

3. Compensation to Executive. The Company will pay to Executive, and Executive agrees to accept as full consideration for the performance of his duties hereunder, the following:

(a) *Base compensation*. Executive shall receive the sum of $92,000 per month through December 31, 2003, and the sum of $46,000 per month for the period from January 1, 2004 through June 30, 2004.

(b) *Profit sharing plan*. Executive shall continue to participate in the Company's Profit Sharing Plan through June 30, 2004 at an Individual Participation Percentage (as described in such plan) of 115%.

(c) *Long term incentive compensation*. Through December 31, 2003, Executive shall continue to participate in the Company's Stock Option and Incentive Plan and the Executive Long Term Incentive Plan in accordance with the terms of such plans. The Company will grant to Executive an option to purchase 275,000 shares of Brinker Common Stock pursuant to the Stock Option and Incentive Plan at the customary time for annual grants in 2003; provided, however, that such option will not provide for an acceleration of vesting upon the cessation of Executive's employment with the Company and will instead provide for a vesting of 50% of the shares after two years from date of grant and 50% after three years from date of grant.

(d) *Director compensation*. As of July 1, 2004, Executive will commence receiving the compensation awarded to non-employee members of the Board generally and additional compensation for serving as Chairman in the annual amount of $100,000 (payable in quarterly installments of $25,000).

(e) *Benefits*. Executive will be entitled to receive the fringe benefits and perquisites available for executive officers of the Company, as described on Schedule I hereto.

4. Nondisclosure Agreement. Executive has had, and will continue to have, access to and become familiar with various trade secrets and proprietary and confidential information (collectively referred to as the "Trade Secrets"), which are owned by the Company and regularly used in the operation of its business, but in connection with which the Company takes precautions to prevent dissemination to persons other than certain directors, officers and key employees of the Company. Executive acknowledges and agrees that the Trade Secrets are valuable, special and unique assets of the Company, the disclosure of which could cause substantial injury and loss of profits and goodwill to the Company. Accordingly, Executive will not use in any way or disclose any of the Trade Secrets, directly or indirectly, either during his remaining service as CEO or Chairman or at any time thereafter, except as required in the course of performing his duties under this Agreement. Notwithstanding the foregoing, "Trade Secrets" will be deemed to exclude (i) information known to Executive prior to disclosure to Executive by the Company, (ii) information that is now or hereafter in the public domain other than as a result of action by Executive or his agents, and (iii) information rightfully provided to Executive on a non-confidential basis from a source other than the Company or its advisors, provided that such source is not bound by a confidentiality agreement with or other obligation of secrecy to the Company or any another party.

5. Noncompetition Agreement. Executive hereby agrees that, without the prior written consent of the Company, Executive will not, during the period of his service as member of the Board and for a period of three years after the termination of such association for any reason whatsoever, directly or indirectly, accept employment with or render services to a competitor of the Company as a director, officer, agent, Executive or consultant. For purposes of this Agreement, a "competitor" specifically includes persons, firms, sole proprietorships, partnerships, companies, corporations or other entities whose business consists of the ownership and operation of restaurants serving the full service (wait staff and serving alcohol) or quick-casual dining segments. The Company will have the right to seek injunctive relief in the event of any breach of this provision by Executive.

6. Nonemployment Agreement. For a period of three years after the termination or cessation of his service as a member of the Board for any reason whatsoever, Executive will not, on his own behalf or on behalf of any other person, partnership, association, corporation or other entity, hire or solicit or in any manner attempt to influence or induce any employee of the Company to leave the employment of the Company.

7. Publicity. Unless the prior written consent of the Company is obtained, Executive will not author or co-author a book or similar publication which describes or summarizes his experiences as an employee of the Company or member of the Board.

8. Severability. Executive agrees that each of the agreements and covenants set forth in Sections 4 through 7 above is necessary to ensure the preservation and continuity of the business and goodwill of the Company, constitutes a separate agreement independently supported by good and adequate consideration and is severable from the other provisions of this Agreement. The existence of any claim or cause of action of Executive against the Company, whether predicated on this Agreement or otherwise, will not constitute a defense to the enforcement by the Company of such covenants. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, such provision will be fully severable and this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part of this Agreement; and the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as part of this Agreement, a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

9. Entire Agreement. This Agreement supersedes any and all other agreements, either oral or written, between the parties hereto with respect to the subject matter hereof and contains all of the covenants and agreements between the parties with respect thereto.

10. Modification. No change or modification of this Agreement will be valid or binding upon the parties hereto, nor will any waiver of any term or condition in the future be so binding, unless such change or modification or waiver will be in writing and signed by the parties hereto.

11. Waiver of Breach. The waiver by the Company of a breach of any provision of this Agreement by Executive will not operate or be construed as a waiver of any subsequent breach by Executive.

12. Counterparts. This Agreement may be executed in counterparts, each of which will constitute an original, but all of which will constitute one document.

13. Assignment. The Company will have the right to assign this Agreement to its successors or assigns. The Company further covenants to cause any such successor or assign to assume the terms and conditions of this Agreement to the extent legally permissible. The terms "successors" and "assigns" will include any person, corporation, partnership or other entity that buys all or substantially all of the Company's assets or all of its stock, or with which the Company merges or consolidates. The rights, duties and benefits to Executive hereunder are personal to him, and no such right or benefit may be assigned by him.

14. Binding Effect. This Agreement will be binding upon the parties hereto, together with their respective executors, administrators, successors, personal representatives, heirs and permitted assigns.

15. Governing Law and Venue. The parties acknowledge and agree that this Agreement and the obligations and undertakings of the parties hereunder will be performable (to the maximum extent practicable) in Dallas, Dallas County, Texas. This Agreement will be governed by, and construed in accordance with, the laws of the State of Texas (excluding conflicts of law principles). If any action is brought to enforce or interpret this Agreement, venue for such action will be in Dallas County, Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Transition Agreement as of the date first above written.

Brinker International, Inc.

By: /s/ Charles M. Sonsteby

Brinker International Payroll Company, L.P.
By BIPC Management, LLC (general partner)

By: /s/ Roger F. Thomson

/s/ Ronald A. McDougall
Ronald A. McDougall

Schedule I

<u>Other Benefits and Perquisites</u> (maintained through December 31, 2004 unless otherwise noted)

1. Financial planning services ($15,000)

2. Car allowance ($12,000)

3. Health club reimbursement ($500)

4. Savings Plan II to remain in effect but no further contribution by Executive or Company will be made after cessation of employment.

5. Reimbursement for physical exam at Cooper Clinic

6. Comp card (may be retained after December 31, 2003 for lifetime so long as Executive is not engaged in competition with the Company)

7. Health insurance (may be retained after December 31, 2003 for lifetime so long as Executive contributes employee level co-pay)

8. Reimbursement for Company related travel and entertainment expense and competitive research expense commensurate with current level.

9. IT access (including cell phone and blackberry wireless), office space and support and secretarial assistance commensurate with current level.

10. Retention of AAirpass at Executive's option provided no marginal cost to the Company.

Exhibit 13

Brinker International, Inc.
Selected Financial Data
(In thousands, except per share amounts and number of restaurants)

	2003	2002	2001	2000	1999(a)
			Fiscal Years		
Income Statement Data:					
Revenues	$3,285,394	$2,887,111	$2,406,874	$2,100,496	$1,818,008
Operating Costs and Expenses:					
Cost of sales	900,379	796,714	663,357	575,570	507,103
Restaurant expenses	1,828,496	1,591,367	1,303,349	1,138,487	984,027
Depreciation and amortization	158,153	130,102	100,064	90,647	82,385
General and administrative	131,763	121,420	109,110	100,123	90,311
Total operating costs and expenses	3,018,791	2,639,603	2,175,880	1,904,827	1,663,826
Operating income	266,603	247,508	230,994	195,669	154,182
Interest expense	12,449	13,327	8,608	10,746	9,241
Other, net	567	2,332	459	3,381	14,402
Income before provision for income taxes and cumulative effect of accounting change	253,587	231,849	221,927	181,542	130,539
Provision for income taxes	84,951	79,136	76,779	63,702	45,297
Income before cumulative effect of accounting change	168,636	152,713	145,148	117,840	85,242
Cumulative effect of accounting change	-	-	-	-	6,407
Net income	$ 168,636	$ 152,713	$ 145,148	$ 117,840	$ 78,835
Basic Earnings Per Share:					
Income before cumulative effect of accounting change	$ 1.74	$ 1.56	$ 1.46	$ 1.20	$ 0.86
Cumulative effect of accounting change	-	-	-	-	0.06
Basic net income per share	$ 1.74	$ 1.56	$ 1.46	$ 1.20	$ 0.80
Diluted Earnings Per Share:					
Income before cumulative effect of accounting change	$ 1.70	$ 1.52	$ 1.42	$ 1.17	$ 0.83
Cumulative effect of accounting change	-	-	-	-	0.06
Diluted net income per share	$ 1.70	$ 1.52	$ 1.42	$ 1.17	$ 0.77
Basic weighted average shares outstanding	97,096	97,862	99,101	98,445	98,888
Diluted weighted average shares outstanding	99,135	100,565	102,098	101,114	102,183
Balance Sheet Data(End of Period):					
Working capital deficit	$ (143,744)	$ (160,266)	$ (110,006)	$ (127,377)	$ (86,969)
Total assets	1,943,290	1,783,336	1,445,320	1,162,328	1,093,463
Long-term obligations	492,829	504,020	294,803	169,120	234,086
Shareholders' equity	1,140,250	977,096	900,287	762,208	661,439
Number of Restaurants Open (End of Period):					
Company-operated	1,145	1,039	899	774	707
Franchised/Joint venture	257	229	244	264	226
Total	1,402	1,268	1,143	1,038	933

(a) Fiscal year 1999 consisted of 53 weeks while all other periods presented consisted of 52 weeks.

Management's Discussion and Analysis of
Financial Condition and Results of Operations

GENERAL

For an understanding of the significant factors that influenced the performance of Brinker International, Inc. (the "Company") during the past three fiscal years, the following discussion should be read in conjunction with the consolidated financial statements and related notes found elsewhere in this annual report.

The Company has a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal years 2003, 2002 and 2001, which ended on June 25, 2003, June 26, 2002, and June 27, 2001 respectively, each contained 52 weeks.

RESULTS OF OPERATIONS FOR FISCAL YEARS 2003, 2002, AND 2001

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

	Percentage of Total Revenues		
		Fiscal Years	
	2003	2002	2001
Revenues	100.0%	100.0%	100.0%
Operating Costs and Expenses:			
Cost of sales	27.4%	27.6%	27.6%
Restaurant expenses	55.7%	55.1%	54.1%
Depreciation and amortization	4.8%	4.5%	4.2%
General and administrative	4.0%	4.2%	4.5%
Total operating costs and expenses	91.9%	91.4%	90.4%
Operating income	8.1%	8.6%	9.6%
Interest expense	0.4%	0.5%	0.4%
Other, net	-	0.1%	-
Income before provision for income taxes	7.7%	8.0%	9.2%
Provision for income taxes	2.6%	2.7%	3.2%
Net income	5.1%	5.3%	6.0%

REVENUES

Revenue growth of 13.8% and 20.0% in fiscal 2003 and 2002, respectively, was attributable primarily to the increases in sales weeks driven by new unit expansion, acquisitions of units from former franchise partners and increases in comparable store sales. Revenues for fiscal 2003 increased due to a 12.6% increase in sales weeks and a 1.5% increase in comparable store sales. Revenues for fiscal 2002 increased due to a 19.1% increase in sales weeks and a 1.5% increase in comparable store sales. Menu price increases were 1.3% and 1.8% in fiscal 2003 and 2002, respectively.

COSTS AND EXPENSES (as a Percent of Revenues)

Cost of sales decreased 0.2% in fiscal 2003 due primarily to a 0.9% decrease in commodity prices for meat and cheese, a 0.4% favorable product mix shift for beverages, and a 0.1% increase in menu prices, partially offset by a 1.0% unfavorable product mix shift for meat and produce and a 0.2% increase in commodity prices for beverages. Cost of sales remained flat in fiscal 2002 due to a 0.6% increase in menu prices, a 0.5% favorable product mix shift for dairy, cheese and produce, and a 0.2% decrease in commodity prices for seafood, offset by a 1.0% unfavorable product mix shift for meat and seafood and a 0.3% increase in commodity prices for dairy and cheese.

Restaurant expenses increased 0.6% in fiscal 2003 due primarily to asset impairment charges totaling $20.3 million related to the Company's decision to discontinue growth and sell all sixteen of its Cozymel's Coastal Grill ("Cozymel's") restaurants, $5.4 million in charges resulting from the decision to close nine restaurants and to write down the assets of one under-performing restaurant, a $4.1 million impairment of intellectual property rights, an increase in labor costs resulting from increases in wage rates and payroll taxes, and an increase in health and workers compensation insurance costs resulting from higher premiums and fees. These increases were partially offset by an approximate $11.0 million expense related to the settlement of certain California labor matters and an approximate $8.7 million impairment charge related to the write-off of a portion of the notes receivable from Eatzi's Corporation ("Eatzi's") recorded in fiscal 2002. Restaurant expenses increased 1.0% in fiscal 2002 due primarily to the previously mentioned expense related to the California labor matters and impairment charge related to the notes receivable from Eatzi's, and increased labor wage rates. These increases were partially offset by increased sales leverage and menu price increases.

Depreciation and amortization increased 0.3% in fiscal 2003 and 2002 due primarily to new unit construction, ongoing remodel costs, the acquisition of previously leased equipment and certain real estate assets, and restaurants acquired during fiscal 2002 and 2001. These increases were partially offset by increased sales leverage and a declining depreciable asset base for older units. The increase in fiscal 2002 was also partially offset by the elimination of goodwill and certain other intangibles amortization in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142.

General and administrative expenses decreased 0.2% in fiscal 2003 and 0.3% in fiscal 2002 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 decreased 0.1% in fiscal 2003 as a result of decreased average borrowings and interest rates on the Company's credit facilities, a decrease in interest expense on senior notes due to a scheduled repayment, and an increase in interest capitalization related to increased new restaurant construction activity. These decreases were partially offset by the amortization of debt issuance costs and debt discounts on the Company's convertible debt. Interest expense increased 0.1% in fiscal 2002 as a result of amortization of debt issuance costs and debt discounts on the Company's convertible debt. These increases were partially offset by lower interest rates on the Company's credit facilities, a decrease in interest expense on senior notes due to a scheduled repayment, and an increase in interest capitalization related to increased new restaurant construction activity.

Other, net decreased 0.1% in fiscal 2003 due primarily to gains from life insurance proceeds totaling approximately $3.5 million. These gains were partially offset by a $1.7 million increase in the Company's net savings plan obligations and a $1.1 million increase in the Company's share of losses in equity method investees. Other, net increased 0.1% in fiscal 2002 due to a $2.1 million increase in the Company's net savings plan obligations, partially offset by a $689,000 reduction in the Company's share of losses in equity method investees.

INCOME TAXES

The Company's effective income tax rate was 33.5%, 34.1%, and 34.6% in fiscal 2003, 2002, and 2001, respectively. The decrease in fiscal 2003 is primarily due to the increase in the FICA tax credit resulting from increased tip reporting and the non-taxable gains from life insurance proceeds, partially offset by the non-deductible loss resulting from the impairment of Cozymel's goodwill. The decrease in fiscal 2002 is primarily due to the elimination of goodwill amortization in accordance with SFAS No. 142 and a decrease in the effective state tax rates.

IMPACT OF INFLATION

The Company has not experienced a significant overall impact from inflation. As operating expenses increase, the Company, to the extent permitted by competition, recovers increased costs through a combination of menu price increases and reviewing, then implementing, alternative products or processes.

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit decreased from $160.3 million at June 26, 2002 to $143.7 million at June 25, 2003, and net cash provided by operating activities increased from $390.7 million for fiscal 2002 to $448.9 million for fiscal 2003 due primarily 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.

The Company's contractual obligations and credit facilities as of June 25, 2003 are as follows:

	Payment Due by Period (in thousands)				
	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 Years
Convertible debt (a)	$ 262,086	$ -	$ -	$ -	$ 262,086
Senior notes	30,969	14,300	16,669	-	-
Capital leases	66,844	3,656	6,758	6,985	49,445
Mortgage loan obligations	41,355	2,301	4,769	4,443	29,842
Operating leases	869,041	96,868	185,912	165,393	420,868

	Amount of Credit Facility Expiration by Period (in thousands)				
	Total Commitment	Less than 1 year (b)	2-3 Years	4-5 Years	After 5 Years
Credit facilities	$ 345,000	$ 70,000	$ 275,000	$ -	$ -

(a) The convertible debt was issued at a discount representing a yield to maturity of 2.75% per annum. The $262.1 million balance is the accreted carrying value of the debt at June 25, 2003. The convertible debt will continue to accrete at 2.75% per annum and if held to maturity in October 2021 the obligation will total $431.7 million.

(b) The portion of the credit facilities that expires in less than one year is an uncommitted obligation giving the lenders the option not to extend the Company funding. However, the lenders have not exercised this option in the past and the Company anticipates that these funds will be available in the future. Should any or all of these obligations not be extended, the Company has adequate capacity under the committed facility, which does not expire until fiscal 2006.

Capital expenditures consist of purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, the acquisition of previously leased equipment and real estate assets, and ongoing remodeling programs. Capital expenditures, net of amounts funded under the respective equipment and real estate leasing facilities, were $326.5 million in fiscal 2003 compared to $371.1 million in fiscal 2002. The decrease is due primarily to the acquisition of the remaining assets leased under the equipment and real estate leasing facilities in fiscal 2002, partially offset by an increase in the number of new store openings during fiscal 2003. The Company estimates that its fiscal 2004 capital expenditures will approximate $347.7 million. These capital expenditures will be funded primarily from operations and existing credit facilities.

During the fourth quarter of fiscal 2003, the Company entered into negotiations to sell all sixteen of its Cozymel's restaurants. The carrying values of the assets to be sold were approximately $23.8 million as of June 25, 2003. The transaction is expected to close during the second quarter of fiscal 2004.

In October 2002, the Company made an additional $1.8 million capital contribution to the legal entities (collectively, the "Rockfish Partnership") owning and developing Rockfish Seafood Grill ("Rockfish"), increasing its ownership interest to approximately 43%. Additionally, the Company continued its investment strategy related to Rockfish by entering into a note agreement with Rockfish Partnership in December 2002. The note was subsequently amended and restated in August 2003, increasing the amount available under the note to $6.8 million and extending the maturity date to February 2004. The note is intended to fund future Rockfish development and bears interest at LIBOR plus 1.5%. Upon maturity, Rockfish intends to replace the note with long-term financing provided by the Company or third-party lenders. At June 25, 2003, $4.0 million was outstanding under the note.

In November 2002, the Company completed the divestiture of Eatzi's and received an $11.0 million cash payment and a $4.0 million promissory note. The promissory note is unsecured and payable only upon the closing of an initial public offering by Eatzi's. Due to the uncertainty of collecting the promissory note, the Company has established a reserve for the entire principal balance.

In May 2003, the Board of Directors authorized an increase in the stock repurchase plan of $100.0 million, bringing the Company's total share repurchase program to $510.0 million. Pursuant to the Company's stock repurchase plan, the Company repurchased approximately 2.2 million shares of its common stock for $64.5 million during fiscal 2003. As of June 25, 2003, approximately 18.2 million shares had been repurchased for $392.1 million under the stock repurchase plan.The Company repurchases common stock primarily to offset the dilutive effect of stock option exercises. 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 and drawdowns on its available credit facilities.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates on debt and certain leasing facilities and from changes in commodity prices. A discussion of the Company's accounting policies for derivative instruments is included in the summary of significant accounting policies in the notes to the consolidated financial statements.

The Company may from time to time utilize interest rate swaps to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates. The Company does not use derivative instruments for trading purposes and has procedures in place to monitor and control derivative use.

The Company is exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. The Company's variable rate financial instruments, consisting of the notional amounts of interest rate swaps, totaled $145.1 million at June 25, 2003. The impact on the Company's annual results of operations of a one-point interest rate change on the outstanding balance of these variable rate financial instruments as of June 25, 2003 would be approximately $1.5 million.

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

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

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are disclosed in Note 1 to our consolidated financial statements. The following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results, and that require significant judgment.

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The useful lives of the assets are based upon the Company's expectations for the period of time that the asset will be used to generate revenue. The Company periodically reviews the assets for changes in circumstances which may impact their useful lives.

Impairment of Long-Lived Assets

The Company reviews property and equipment for impairment when events or circumstances indicate it might be impaired. The Company tests for impairment using historical cash flows and other relevant facts and circumstances as the primary basis for its estimates of future cash flows. This process requires the use of estimates and assumptions which are subject to a high degree of judgment. In addition, at least annually the Company assesses the recoverability of goodwill and other intangible assets related to its restaurant concepts. These impairment tests require the Company to estimate fair values of its restaurant concepts by making assumptions regarding future cash flows, expected growth rates, terminal values, and other factors. If these assumptions change in the future, the Company may be required to record impairment charges for these assets.

Financial Instruments

The Company enters into interest rate swaps to maintain the value of certain fixed-rate debt and lease obligations. The fair value of these swaps is estimated using widely accepted valuation methods. The valuation of derivatives involves considerable judgment, including estimates of future interest rate curves. Changes in those estimates may materially affect the amounts recognized in the balance sheet for the Company's derivatives and interest costs in future periods.

Self-Insurance

The Company is self-insured for certain losses related to general liability and workers' compensation. The Company maintains stop loss coverage with third party insurers to limit its total exposure. The self-insurance liability represents an estimate of the ultimate cost of claims incurred as of the balance sheet date. The estimated liability is not discounted and is established based upon analysis of historical data and actuarial estimates, and is reviewed by the Company on a quarterly basis to ensure that the liability is appropriate. If actual trends, including the severity or frequency of claims, differ from our estimates, our financial results could be impacted.

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. ("FIN") 46, "Consolidation of Variable Interest Entities". This interpretation provides guidance on the identification of, and financial reporting for, variable interest entities. Variable interest entities are entities that lack the characteristics of a controlling financial interest or lack sufficient equity to finance its activities without additional subordinated financial support. FIN 46 requires a company to consolidate a variable interest entity if that company is obligated to absorb the majority of the entity's expected losses or entitled to receive the majority of the entity's residual returns, or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. FIN 46 is applicable immediately to variable interest entities created after January 31, 2003. For all variable interest entities created prior to February 1, 2003, FIN 46 is applicable to periods beginning after June 15, 2003. We do not currently believe that consolidation of any entities will be required as a result of our adoption of FIN 46.

MANAGEMENT OUTLOOK

During fiscal 2003, the Company delivered another record year of financial performance in a difficult macro environment. These results were achieved by disciplined capacity growth and diligent fiscal responsibility. We remain focused on guest satisfaction and our passionate culinary culture, both of which we believe are key contributors to continued success.

During fiscal 2004, the Company will continue to implement and leverage the strategies and initiatives that drove fiscal 2003 performance. Positive lifestyle, demographic, and demand trends for food away from home help the industry balance an uncertain economic environment. Revenue growth will be driven by a combination of capacity growth, continued brand development, an effective real estate strategy and initiatives to increase same store sales. The Company believes the ongoing efforts designed to enhance our guests' experience provide the best avenue to deliver long-term shareholder value.

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 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 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, 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. Although 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, 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, 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.

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 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.

BRINKER INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Fiscal Years		
	2003	**2002**	**2001**
Revenues	$3,285,394	$2,887,111	$2,406,874
Operating Costs and Expenses:			
Cost of sales	900,379	796,714	663,357
Restaurant expenses	1,828,496	1,591,367	1,303,349
Depreciation and amortization	158,153	130,102	100,064
General and administrative	131,763	121,420	109,110
Total operating costs and expenses	3,018,791	2,639,603	2,175,880
Operating income	266,603	247,508	230,994
Interest expense	12,449	13,327	8,608
Other, net	567	2,332	459
Income before provision for income taxes	253,587	231,849	221,927
Provision for income taxes	84,951	79,136	76,779
Net income	$ 168,636	$ 152,713	$ 145,148
Basic net income per share	$ 1.74	$ 1.56	$ 1.46
Diluted net income per share	$ 1.70	$ 1.52	$ 1.42
Basic weighted average shares outstanding	97,096	97,862	99,101
Diluted weighted average shares outstanding	99,135	100,565	102,098

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	2003	2002
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 33,492	$ 10,091
Accounts receivable	34,619	26,035
Inventories	24,403	21,768
Prepaid expenses and other	73,953	68,387
Income taxes receivable	-	15,673
Total current assets	166,467	141,954
Property and Equipment, at Cost:		
Land	269,212	254,000
Buildings and leasehold improvements	1,245,546	1,091,434
Furniture and equipment	588,815	635,403
Construction-in-progress	71,913	57,015
	2,175,486	2,037,852
Less accumulated depreciation and amortization	(675,914)	(682,435)
Net property and equipment	1,499,572	1,355,417
Other Assets:		
Goodwill	185,068	193,899
Other	92,183	92,066
Total other assets	277,251	285,965
Total assets	$1,943,290	$1,783,336
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 17,629	$ 17,292
Accounts payable	108,068	118,418
Accrued liabilities	176,583	166,510
Income taxes payable	7,931	-
Total current liabilities	310,211	302,220
Long-term debt, less current installments	353,785	426,679
Deferred income taxes	55,096	17,295
Other liabilities	83,948	60,046
Commitments and Contingencies (Notes 9 and 15)		
Shareholders' Equity:		
Common stock - 250,000,000 authorized shares; $.10 par value; 117,499,541 shares issued and 97,854,952 shares outstanding at June 25, 2003, and 117,500,054 shares issued and 97,440,391 shares outstanding at June 26, 2002	11,750	11,750
Additional paid-in capital	344,486	330,191
Accumulated other comprehensive income	609	-
Retained earnings	1,123,337	954,701
	1,480,182	1,296,642
Less:		
Treasury stock, at cost (19,644,589 shares at June 25, 2003 and 20,059,663 shares at June 26, 2002)	(337,946)	(317,674)
Unearned compensation	(1,986)	(1,872)
Total shareholders' equity	1,140,250	977,096
Total liabilities and shareholders' equity	$1,943,290	$1,783,336

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Unearned Compensation	Total
Balances at June 28, 2000	98,798	$11,754	$ 298,172	$ 656,840	$(201,531)	$ -	$ (3,027)	$ 762,208
Net income	-	-	-	145,148	-	-	-	145,148
Change in fair value of derivatives, net of tax	-	-	-	-	-	(895)	-	(895)
Comprehensive income								144,253
Purchases of treasury stock	(2,841)	-	-	-	(65,578)	-	-	(65,578)
Issuances of common stock	3,541	-	(2,529)	-	41,194	-	-	38,665
Tax benefit from stock options exercised	-	-	19,430	-	-	-	-	19,430
Amortization of unearned compensation	-	-	-	-	-	-	1,307	1,307
Issuance of restricted stock, net of forfeitures	11	(4)	(206)	-	581	-	(369)	2
Balances at June 27, 2001	99,509	11,750	314,867	801,988	(225,334)	(895)	(2,089)	900,287
Net income	-	-	-	152,713	-	-	-	152,713
Reclassification adjustment to earnings, net of tax	-	-	-	-	-	895	-	895
Comprehensive income								153,608
Purchases of treasury stock	(5,058)	-	-	-	(136,069)	-	-	(136,069)
Issuances of common stock	2,890	-	(4,602)	-	42,394	-	-	37,792
Tax benefit from stock options exercised	-	-	18,826	-	-	-	-	18,826
Amortization of unearned compensation	-	-	-	-	-	-	1,594	1,594
Issuance of restricted stock, net of forfeitures	99	-	1,100	-	1,335	-	(1,377)	1,058
Balances at June 26, 2002	97,440	11,750	330,191	954,701	(317,674)	-	(1,872)	977,096
Net income	-	-	-	168,636	-	-	-	168,636
Change in fair value of investments, net of tax	-	-	-	-	-	609	-	609
Comprehensive income								169,245
Purchases of treasury stock	(2,208)	-	-	-	(64,477)	-	-	(64,477)
Issuances of common stock	2,492	-	(1,748)	-	42,048	-	-	40,300
Tax benefit from stock options exercised	-	-	13,710	-	-	-	-	13,710
Amortization of unearned compensation	-	-	-	-	-	-	2,101	2,101
Issuance of restricted stock, net of forfeitures	131	-	2,333	-	2,157	-	(2,215)	2,275
Balances at June 25, 2003	97,855	$11,750	$ 344,486	$1,123,337	$(337,946)	$ 609	$ (1,986)	$1,140,250

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

		Fiscal Years	
	2003	2002	2001
Cash Flows from Operating Activities:			
Net income	$ 168,636	$ 152,713	$ 145,148
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	158,153	130,102	100,064
Amortization of deferred costs	11,721	8,252	1,307
Deferred income taxes	39,194	24,166	3,213
Impairment of property and equipment	18,524	-	-
Impairment of intangible assets	10,624	-	-
Impairment of notes receivable	-	8,723	-
Loss on sale of affiliate	-	-	387
Changes in assets and liabilities, excluding effects of acquisitions and disposition:			
Receivables	(8,956)	6,138	(6,751)
Inventories	(2,635)	2,863	(9,732)
Prepaid expenses and other	557	(3,467)	(2,112)
Other assets	2,474	3,640	(5,156)
Current income taxes	37,314	6,172	4,276
Accounts payable	(10,350)	19,982	(2,567)
Accrued liabilities	14,943	29,006	18,812
Other liabilities	8,672	2,418	610
Net cash provided by operating activities	448,871	390,708	247,499
Cash Flows from Investing Activities:			
Payments for property and equipment	(326,525)	(371,052)	(205,160)
Payments for purchases of restaurants	-	(60,491)	(92,267)
Proceeds from sale of affiliate	-	4,000	1,000
Investments in equity method investees	(1,750)	(12,322)	(3,443)
Repayment of notes receivable from affiliate	11,000	325	975
Issuance of loan to affiliate	(4,000)	(1,000)	-
Net repayments from (advances to) affiliates	372	708	(688)
Net cash used in investing activities	(320,903)	(439,832)	(299,583)
Cash Flows from Financing Activities:			
Net (payments) borrowings on credit facilities	(63,500)	(83,200)	94,900
Payments of long-term debt	(16,890)	(16,908)	(14,934)
Net proceeds from issuance of debt	-	244,288	-
Proceeds from issuances of treasury stock	40,300	37,792	38,665
Purchases of treasury stock	(64,477)	(136,069)	(65,578)
Net cash (used in) provided by financing activities	(104,567)	45,903	53,053
Net change in cash and cash equivalents	23,401	(3,221)	969
Cash and cash equivalents at beginning of year	10,091	13,312	12,343
Cash and cash equivalents at end of year	$ 33,492	$ 10,091	$ 13,312

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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

The Company has a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal years 2003, 2002, and 2001, which ended on June 25, 2003, June 26, 2002, and June 27, 2001 respectively, each contained 52 weeks.

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform with fiscal 2003 presentation. These reclassifications have no effect on the Company's net income or financial position as previously reported.

(b) Revenue Recognition

The Company records revenue from the sale of food, beverage and alcohol as products are sold. Initial fees received from a franchisee to establish a new franchise are recognized as income when the Company has performed all of its obligations required to assist the franchisee in opening a new franchise restaurant, which is generally upon opening of such restaurant. Continuing royalties, which are a percentage of net sales of franchised restaurants, are accrued as income when earned. Proceeds from the sale of gift cards are recorded as deferred revenue and recognized as income when redeemed by the holder.

(c) Financial Instruments

The Company's policy is to invest cash in excess of operating requirements in income-producing investments. Income-producing investments with maturities of three months or less at the time of investment are reflected as cash equivalents.

The Company's financial instruments at June 25, 2003 and June 26, 2002 consist of cash equivalents, accounts receivable, notes receivable, and long-term debt. The fair value of the Company's convertible debt, based on quoted market prices, totaled approximately $308.3 million and $289.2 million at June 25, 2003 and June 26, 2002, respectively. The fair value of all other financial instruments approximates the carrying amounts reported in the consolidated balance sheets. The following methods were used in estimating the fair value of financial instruments other than the convertible debt: cash equivalents and accounts receivable approximate their carrying amounts due to the short duration of those items; notes receivable are based on the present value of expected future cash flows discounted at the interest rate currently offered by the Company which approximates rates currently being offered by local lending institutions for loans of similar terms to companies with comparable credit risk; and long-term debt is based on the amount of future cash flows discounted using the Company's expected borrowing rate for debt of comparable risk and maturity.

The Company does not use derivative instruments for trading purposes and the Company has procedures in place to monitor and control their use. The Company's use of derivative instruments is currently limited to interest rate swaps, which are entered into with the intent of hedging exposures to changes in value of certain fixed-rate debt and lease obligations. The Company records all derivative instruments in the consolidated balance sheet at fair value. The accounting for the gain or loss due to changes in fair value of the derivative instrument depends on whether the derivative instrument qualifies as a hedge. If the derivative instrument does not qualify as a hedge, the gains or losses are reported in earnings when they occur. However, if the derivative instrument qualifies as a hedge, the accounting varies based on the type of risk being hedged. Amounts receivable or payable under interest rate swaps related to the hedged debt and lease obligations are recorded as adjustments to interest expense and restaurant expenses, respectively. Cash flows related to derivative transactions are included in operating activities. See Notes 7 and 8 for additional discussion of debt-related agreements and hedging activities.

(d) Inventories

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

(e) Property and Equipment

Buildings and leasehold improvements are amortized using the straight-line method over the lesser of the life of the lease, including renewal options, or the estimated useful lives of the assets, which range from 4 to 20 years. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years.

The Company evaluates property and equipment held and used in the business for impairment whenever events or changes in circumstances indicate that the carrying amount of a restaurant's assets may not be recoverable. An impairment is determined by comparing estimated undiscounted future operating cash flows for a restaurant to the carrying amount of its assets. If an impairment exists, the amount of impairment is measured as the excess of the carrying amount over the estimated discounted future operating cash flows of the asset and the expected proceeds upon sale of the asset. Assets held for sale are reported at the lower of carrying amount or fair value less costs to sell.

(f) Capitalized Interest

Interest costs capitalized during the construction period of restaurants were approximately $5.6 million, $4.5 million, and $2.8 million during fiscal 2003, 2002, and 2001, respectively.

(g) Advertising

Advertising costs are expensed as incurred. Advertising costs were $135.2 million, $116.6 million, and $95.4 million in fiscal 2003, 2002, and 2001, respectively, and are included in restaurant expenses in the consolidated statements of income.

(h) Goodwill and Other Intangible Assets

Intangible assets include both goodwill and identifiable intangibles arising from the allocation of the purchase prices of assets acquired. Goodwill represents the residual purchase price after allocation to all other identifiable net assets acquired. Other intangibles consist mainly of reacquired development rights and intellectual property.

The Company adopted 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. Prior to the adoption of SFAS No. 142, goodwill was being amortized on a straight-line basis over 30 to 40 years.

Intangible assets subject to amortization under SFAS No. 142 consist primarily of intellectual property. Amortization expense is calculated using the straight-line method over their estimated useful lives of 15 to 20 years. Intangible assets not subject to amortization consist primarily of reacquired development rights. See Note 4 for additional disclosures related to goodwill and other intangibles.

(i) Self-Insurance Program

The Company utilizes a paid loss self-insurance plan for general liability and workers' compensation coverage. Predetermined loss limits have been arranged with insurance companies to limit the Company's per occurrence cash outlay. Additionally, in fiscal 2002 and 2001, the Company entered into guaranteed cost agreements with an insurance company to eliminate all future general liability losses for those respective fiscal years. Accrued expenses and other liabilities include the estimated incurred but unreported costs to settle unpaid claims and estimated future claims.

(j) Income Taxes

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

(k) Stock-Based Compensation

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 SFAS No. 123. 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):

	2003	2002	2001
Net income - as reported	$168,636	$152,713	$145,148
Add: Reported stock-based compensation expense, net of taxes	3,352	3,762	3,747
Deduct: Fair value based compensation expense, net of taxes	(19,186)	(18,672)	(15,932)
Net income - pro forma	$152,802	$137,803	$132,963
Earnings per share:			
Basic - as reported	$ 1.74	$ 1.56	$ 1.46
Basic - pro forma	$ 1.57	$ 1.41	$ 1.34
Diluted - as reported	$ 1.70	$ 1.52	$ 1.42
Diluted - pro forma	$ 1.54	$ 1.35	$ 1.30

The weighted average fair value of option grants was $10.76, $10.66, and $10.90 during fiscal 2003, 2002 and 2001, respectively. The fair value is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2003	2002	2001
Expected volatility	34.0%	35.5%	34.1%
Risk-free interest rate	3.0%	4.1%	5.9%
Expected lives	5 years	5 years	5 years
Dividend yield	0.0%	0.0%	0.0%

The pro forma disclosures provided are not likely to be representative of the effects on reported net income for future years due to future grants.

(l) Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Fiscal 2003 comprehensive income consists of net income and the unrealized portion of changes in the fair value of the Company's investments in mutual funds. Fiscal 2002 comprehensive income consists of net income and the effective unrealized portion of changes in the fair value of the Company's cash flow hedges.

(m) 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. The Company had approximately 1.4 million, 1.9 million, and 1.8 million stock options outstanding at June 25, 2003, June 26, 2002, and June 27, 2001, respectively, that were not included in the dilutive earnings per share calculation because the effect would have been antidilutive. The Company's contingently convertible debt securities are not considered for purposes of diluted earnings per share unless the required conversion criteria have been met as of the end of the reporting period.

(n) Segment Reporting

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company identifies operating segments based on management responsibility and believes it meets the criteria for aggregating its operating segments into a single reporting segment.

(o) Use of Estimates

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

2. BUSINESS COMBINATIONS AND INVESTMENT IN EQUITY METHOD INVESTEE

In November 2001, the Company acquired from its franchise partner, Sydran Group, LLC and Sydran Food Services III, L.P. (collectively, "Sydran"), thirty-nine 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.

In July 2001, the Company acquired a partnership interest in Rockfish Partnership, a privately held Dallas-based restaurant company. The Company made a $12.3 million capital contribution to Rockfish Partnership in exchange for an approximate 40% ownership interest. In October 2002, the Company made an additional $1.8 million capital contribution to Rockfish Partnership increasing its ownership interest to approximately 43%.

In June 2001, the Company acquired from its franchise partner, Hal Smith Restaurant Group, 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.

In April 2001, the Company acquired from its franchise partner, NE Restaurant Company, Inc. ("NERCO"), forty Chili's, three Chili's sites under construction, and seven On The Border locations. Total consideration was approximately $93.5 million, of which approximately $40.9 million represented the assumption of mortgage loan obligations and approximately $9.0 million was for certain other liabilities and transaction costs. Goodwill of approximately $20.5 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.

In February 2001, the Company acquired the remaining 50% interest in the Big Bowl restaurant concept from its joint venture partner for approximately $38.0 million. The Company originally invested $20.8 million in the joint venture prior to February 1, 2001 and accounted for the joint venture under the equity method. Goodwill of approximately $48.9 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.

In February 2001, the Company sold its interest in the Wildfire restaurant concept for $5.0 million, of which $4.0 million was included in accounts receivable in the Company's consolidated balance sheet at June 27, 2001. During fiscal 2002, the remaining balance of $4.0 million was collected.

The pro-forma effects of these acquisitions on the Company's historical results of operations are not material.

3. Provision for Impaired Assets and Restaurant Closings

During fiscal 2003, the Company evaluated the results of its efforts to reposition Cozymel's. Based on the performance of recent openings, the Company decided the brand no longer met the growth characteristics needed to remain in the Company's portfolio. As a result, the Company entered into negotiations during the fourth quarter to sell all sixteen of its Cozymel's restaurants. The decision to discontinue growth and sell the brand required the Company to record asset impairment charges totaling $20.3 million ($13.8 million for property and equipment and $6.5 million for the remaining carrying value of goodwill). The carrying values of the assets to be sold were approximately $23.8 million as of June 25, 2003 and consisted primarily of property and equipment. The transaction is expected to close during the second quarter of fiscal 2004. The asset impairment charges are included in restaurant expenses in the consolidated statement of income.

In fiscal 2003, the Company recorded a $5.4 million charge for long-lived asset impairments and exit costs resulting from the decision to close nine restaurants and to write down the assets of one under-performing restaurant. Substantially all of the assets were fully impaired. The impairment charges and exit costs are included in restaurant expenses in the consolidated statement of income.

In fiscal 2003, the Company closed one of the two remaining PIZZAAHHH! restaurant locations and cancelled all future development plans for the concept. As a result of this decision, a $4.1 million impairment charge was recorded, representing the remaining net book value of the intellectual property rights associated with the PIZZAAHHH! concept. The impairment charge is included in restaurant expenses in the consolidated statement of income.

4. GOODWILL AND OTHER INTANGIBLES

The changes in the carrying amount of goodwill for the fiscal years ended June 25, 2003 and June 26, 2002 are as follows (in thousands):

	2003	2002
Balance at beginning of year	$193,899	$138,127
Goodwill arising from acquisitions (see Note 2)	-	55,473
Impairment of goodwill (see Note 3)	(6,501)	-
Purchase allocation adjustments	(2,330)	299
Balance at end of year	$185,068	$193,899

The pro forma effect of the adoption of SFAS No. 142 on net income in fiscal 2001 was an increase of $2.3 million to $147.5 million. The pro forma effects on basic and diluted earnings per share in fiscal 2001 were increases of $0.03 to $1.49 and $0.02 to $1.44, respectively.

The gross carrying amount of intellectual property subject to amortization totaled $1.2 million at June 25, 2003 and $6.4 million at June 26, 2002 (see Note 3 for additional discussion). Accumulated amortization related to these intangible assets totaled approximately $308,000 and $1.2 million at June 25, 2003 and June 26, 2002, respectively.

The carrying amount of reacquired development rights not subject to amortization totaled $4.4 million at June 25, 2003 and June 26, 2002.

5. ACCRUED AND OTHER LIABILITIES

Accrued liabilities consist of the following (in thousands):

	2003	2002
Payroll	$ 73,916	$ 70,121
Gift cards	36,013	27,141
Sales tax	19,206	16,411
Property tax	14,901	13,624
Other	32,547	39,213
	$176,583	$166,510

Other liabilities consist of the following (in thousands):

	2003	2002
Retirement plan (see Note 12)	$ 33,086	$ 29,869
Other	50,862	30,177
	$ 83,948	$ 60,046

6. INCOME TAXES

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

	2003	2002	2001
Current income tax expense:			
Federal	$ 36,761	$ 47,228	$ 62,609
State	8,107	6,819	10,269
Foreign	889	923	688
Total current income tax expense	45,757	54,970	73,566
Deferred income tax expense:			
Federal	37,279	22,088	2,989
State	1,915	2,078	224
Total deferred income tax expense	39,194	24,166	3,213
	$ 84,951	$ 79,136	$ 76,779

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

	2003	2002	2001
Income tax expense at statutory rate	$ 88,755	$ 81,147	$ 77,674
FICA tax credit	(13,236)	(9,002)	(7,029)
State income taxes, net of Federal benefit	6,514	5,783	6,822
Other	2,918	1,208	(688)
	$ 84,951	$ 79,136	$ 76,779

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities as of June 25, 2003 and June 26, 2002 are as follows (in thousands):

	2003	2002
Deferred income tax assets:		
Insurance reserves	$ 3,966	$ 7,099
Employee benefit plans	13,387	12,243
Leasing transactions	8,902	8,564
Other, net	19,865	13,077
Total deferred income tax assets	46,120	40,983
Deferred income tax liabilities:		
Depreciation and capitalized interest on property and equipment	72,390	34,326
Prepaid expenses	9,969	7,928
Goodwill and other amortization	9,106	5,371
Other, net	9,484	8,993
Total deferred income tax liabilities	100,949	56,618
Net deferred income tax liability	$ 54,829	$ 15,635

Deferred income tax assets totaling approximately $267,000 and $1.7 million are included in prepaid expenses and other in the accompanying consolidated balance sheets as of June 25, 2003 and June 26, 2002, respectively.

7. DEBT

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

	2003	2002
Convertible debt	$262,086	$254,948
Senior notes	30,969	45,953
Credit facilities	-	63,500
Capital lease obligations (see Note 9)	37,004	36,047
Mortgage loan obligations	41,355	43,523
	371,414	443,971
Less current installments	(17,629)	(17,292)
	$353,785	$426,679

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 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 beginning 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 $1,000 Debenture is convertible into 18.08 shares of the Company's common stock if the stock's market price exceeds 120% of the accreted conversion price at specified dates, the Company exercises its option to redeem the Debentures, the credit rating of the Debentures is reduced below both Baa3 and BBB-, or upon the occurrence of certain specified corporate transactions. The accreted conversion price is equal to the issue price of the Debenture plus accrued original issue discount divided by 18.08 shares.

The $31.0 million of unsecured senior notes bear interest at an annual rate of 7.8%. Interest is payable semi-annually and principal of $14.3 million is due annually through fiscal 2004 with the remaining unpaid balance due in fiscal 2005.

The Company has credit facilities aggregating $345.0 million at June 25, 2003. A revolving credit facility of $275.0 million bears interest at LIBOR (1.00% at June 25, 2003) plus a maximum of 1.375% (0.65% at June 25, 2003) and expires in fiscal 2006. The remaining credit facilities bear interest based upon the lower of the banks' "Base" rate, certificate of deposit rate, negotiated rate, or LIBOR rate plus 0.375%, and expire at various times beginning in fiscal 2004. Unused credit facilities available to the Company were $345.0 million at June 25, 2003. Obligations under the Company's credit facilities, which require short-term repayments, have been classified as long-term debt, reflecting the Company's intent and ability to refinance these borrowings through the existing credit facilities.

Pursuant to the acquisition of NERCO (see Note 2), the Company assumed $41.4 million in mortgage loan obligations. The obligations require monthly principal and interest payments, mature on various dates from September 2004 through March 2020, and bear interest at rates ranging from 8.44% to 10.75% per year. The obligations are collateralized by the acquired restaurant properties.

The Company's debt agreements contain various restrictive covenants which, among other things, require the maintenance of certain fixed charge, net worth, and leverage ratios. The Company is currently in compliance with all covenants.

Excluding capital lease obligations (see Note 9), the Company's long-term debt maturities for the five years following June 25, 2003 are as follows (in thousands):

Fiscal Year	
2004	$ 16,601
2005	19,006
2006	2,432
2007	2,303
2008	2,140
Thereafter	291,928
	$334,410

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Company entered into two interest rate swaps in April 2000 with a total notional value of $28.5 million at June 25, 2003. These fair value hedges change the fixed-rate interest on the senior notes to variable-rate interest. Under the terms of the hedges (which expire in fiscal 2005), the Company pays semi-annually a variable interest rate based on 90-Day LIBOR (1.00% at June 25, 2003) plus 0.530% for one of the swaps and 180-Day LIBOR (0.98% at June 25, 2003) plus 0.395% for the other swap, in arrears, compounded at three-month intervals. The Company receives semi-annually the fixed interest rate of 7.8% on the senior notes. The estimated fair value of these agreements at June 25, 2003 was approximately $2.5 million, which is included in other assets in the Company's consolidated balance sheet at June 25, 2003. The Company's interest rate swap hedges meet the criteria for the "short-cut method" under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Accordingly, the changes in fair value of the swaps are offset by a like adjustment to the carrying value of the debt and no hedge ineffectiveness is assumed.

The Company entered into three interest rate swaps in December 2001 with a total notional value of $116.6 million at June 25, 2003. These fair value hedges change the fixed-rate interest component of an operating lease commitment for certain real estate properties entered into in November 1997 to variable-rate interest. Under the terms of the hedges (which expire in fiscal 2018), the Company pays monthly a variable rate based on 30-Day LIBOR (1.02% at June 25, 2003) plus 1.26%. The Company receives monthly the fixed interest rate of 7.156% on the lease. The estimated fair values of these agreements at June 25, 2003 and June 26, 2002 were assets of approximately $21.4 million and $5.7 million, respectively. There was no hedge ineffectiveness during fiscal 2003 or 2002. Changes in fair value of the swaps are recorded in other liabilities.

9. LEASES

(a) Capital Leases

The Company leases certain buildings under capital leases. The asset values of $27.5 million at June 25, 2003 and $26.4 million at June 26, 2002, respectively, and the related accumulated amortization of $8.2 million and $6.8 million at June 25, 2003 and June 26, 2002, respectively, are included in property and equipment. Amortization of assets under capital lease is included in depreciation and amortization expense.

(b) Operating Leases

The Company leases restaurant facilities, office space, and certain equipment under operating leases having terms expiring at various dates through fiscal 2095. The restaurant leases have renewal clauses of 1 to 35 years at the option of the Company and have provisions for contingent rent based upon a percentage of gross sales, as defined in the leases. Rent expense for fiscal 2003, 2002, and 2001 was $107.2 million, $100.4 million, and $89.2 million, respectively. Contingent rent included in rent expense for fiscal 2003, 2002, and 2001 was $10.3 million, $9.7 million, and $8.9 million, respectively.

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

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

(c) Commitments

At June 25, 2003, future minimum lease payments on capital and operating leases were as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases
2004	$ 3,656	$ 96,868
2005	3,393	94,923
2006	3,365	90,989
2007	3,450	85,836
2008	3,535	79,557
Thereafter	49,445	420,868
Total minimum lease payments	66,844	$869,041
Imputed interest (average rate of 7%)	(29,840)	
Present value of minimum lease payments	37,004	
Less current installments	(1,028)	
	$ 35,976	

At June 25, 2003, the Company had entered into other lease agreements for restaurant facilities currently under construction or yet to be constructed. Classification of these leases as capital or operating has not been determined as construction of the leased properties has not been completed.

10. STOCK OPTION PLANS

(a) 1983, 1992, and 1998 Employee Incentive Stock Option Plans

In accordance with the Incentive Stock Option Plans adopted in October 1983, November 1992, and October 1998, options to purchase approximately 40.2 million shares of Company common stock may be granted to officers, directors, and eligible employees, as defined. Options are granted at the market value of the underlying common stock on the date of grant, are exercisable beginning one to two years from the date of grant, with various vesting periods, and expire 10 years from the date of grant.

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

In October 1998, the Stock Option and Incentive Plan (the "1998 Plan") was adopted and no additional options were granted under the 1992 Incentive Stock Option Plan (the "1992 Plan"). Options granted under the 1992 Plan prior to the adoption of the 1998 Plan remain exercisable through March 2008.

Transactions during fiscal 2003, 2002, and 2001 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	2003	2002	2001	2003	2002	2001
Options outstanding at beginning of year	9,944	10,759	11,997	$20.50	$16.91	$13.03
Granted	2,639	2,512	2,808	30.68	27.90	26.96
Exercised	(2,477)	(2,892)	(3,373)	16.05	13.09	11.01
Forfeited	(495)	(435)	(673)	27.54	23.38	19.18
Options outstanding at end of year	9,611	9,944	10,759	$24.07	$20.50	$16.91
Options exercisable at end of year	3,809	4,091	4,788	$16.69	$13.38	$11.64

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
$ 7.42-$11.58	1,147	3.37	$ 8.51	1,147	$ 8.51
$ 12.89-$18.67	1,788	5.75	16.92	1,788	16.92
$ 25.50-$33.02	6,676	8.47	28.67	874	26.96
	9,611	7.35	$24.07	3,809	$16.69

(b) 1991 and 1999 Non-Employee Stock Option Plans

In accordance with the Stock Option Plan for Non-Employee Directors and Consultants adopted in May 1991 (the "1991 Plan"), options to purchase 881,250 shares of Company common stock were authorized for grant. In fiscal 2000, the 1991 Plan was replaced by the 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants which authorized the issuance of up to 450,000 shares of Company common stock. The authority to issue the remaining stock options under the 1991 Plan has been terminated. Options are granted at the market value of the underlying common stock on the date of grant, vest one-third each year beginning two years from the date of grant, and expire 10 years from the date of grant.

Transactions during fiscal 2003, 2002, and 2001 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	2003	2002	2001	2003	2002	2001
Options outstanding at beginning of year	353	351	468	$17.79	$13.96	$11.65
Granted	102	82	38	32.18	30.06	23.96
Exercised	(15)	(70)	(155)	15.36	11.24	9.44
Forfeited		(10)			30.06	
Options outstanding at end of year	440	353	351	$21.21	$17.79	$13.96
Options exercisable at end of year	238	199	208	$13.57	$12.61	$11.71

At June 25, 2003, the range of exercise prices for options outstanding was $8.33 to $32.80 with a weighted average remaining contractual life of 6.55 years.

11. SHAREHOLDERS' EQUITY

(a) Stockholder Protection Rights Plan

The Company maintains a Stockholder Protection Rights Plan (the "Plan"). Upon implementation of the Plan, the Company declared a dividend of one right on each outstanding share of common stock. The rights are evidenced by the common stock certificates, automatically trade with the common stock, and are not exercisable until it is announced that a person or group has become an Acquiring Person, as defined in the Plan. Thereafter, separate rights certificates will be distributed and each right (other than rights beneficially owned by any Acquiring Person) will entitle, among other things, its holder to purchase, for an exercise price of $40, a number of shares of Company common stock having a market value of twice the exercise price. The rights may be redeemed by the Board of Directors for $0.01 per right prior to the date of the announcement that a person or group has become an Acquiring Person.

(b) Preferred Stock

The Company's Board of Directors is authorized to provide for the issuance of 1,000,000 preferred shares with a par value of $1.00 per share, in one or more series, and to fix the voting rights, liquidation preferences, dividend rates, conversion rights, redemption rights, and terms, including sinking fund provisions, and certain other rights and preferences. As of June 25, 2003, no preferred shares were issued.

(c) Treasury Stock

In May 2003, the Board of Directors authorized an increase in the stock repurchase plan of $100.0 million, bringing the Company's total share repurchase program to $510.0 million. Pursuant to the Company's stock repurchase plan, the Company repurchased approximately 2.2 million shares of its common stock for $64.5 million during fiscal 2003, resulting in a cumulative repurchase total of approximately 18.2 million shares of its common stock for $392.1 million. The Company's stock repurchase plan is used by the Company primarily to offset the dilutive effect of stock option exercises. The repurchased common stock is reflected as a reduction of shareholders' equity.

(d) Restricted Stock

Pursuant to shareholder approval in November 1999, the Company implemented the Executive Long-Term Incentive Plan for certain key employees, one component of which is the award of restricted common stock. During fiscal 2003 and 2002, respectively, approximately 131,000 and 100,000 shares of restricted common stock were awarded, the majority of which vests over a three-year period. Unearned compensation was recorded as a separate component of shareholders' equity at the date of the award based on the market value of the shares and is being amortized to compensation expense over the vesting period.

12. SAVINGS PLANS

The Company sponsors a qualified defined contribution retirement plan ("Plan I") covering salaried employees who have attained the age of twenty-one and hourly employees who have completed one year of service and have attained the age of twenty-one. Plan I allows eligible employees to contribute, subject to Internal Revenue Service limitations on total annual contributions, up to 50% of their base compensation and 100% of their eligible bonuses, as defined in the plan, to various investment funds. The Company matches in cash at a rate of 25% of the first 5% a salaried employee contributes. Hourly employees do not receive matching contributions. Employee contributions vest immediately while Company contributions vest 25% annually beginning in the participant's second year of eligibility. In fiscal 2003, 2002, and 2001, the Company contributed approximately $889,000, $828,000, and $788,000, respectively.

The Company sponsors a non-qualified defined contribution retirement plan ("Plan II") covering highly compensated employees, as defined in the plan. Plan II allows eligible employees to defer receipt of up to 50% of their base compensation and 100% of their eligible bonuses, as defined in the plan. The Company matches in cash at a rate of 25% of the first 5% of contributions. Employee contributions vest immediately while Company contributions vest 25% annually beginning in the participant's second year of eligibility. In fiscal 2003, 2002, and 2001, the Company contributed approximately $724,000, $657,000, and $655,000, respectively. At the inception of Plan II, the Company established a Rabbi Trust to fund Plan II obligations. The market value of the trust assets is included in other assets and the liability to Plan II participants is included in other liabilities.

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2003	2002	2001
Interest, net of amounts capitalized	$ 3,215	$ 8,229	$ 8,904
Income taxes, net of refunds	7,553	48,801	68,597

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

	2003	2002	2001
Retirement of fully depreciated assets	$164,509	$ 10,487	$ 15,544
Net increase in fair value of interest rate swaps	15,063	5,953	2,867
Restricted common stock issued, net of forfeitures	4,490	2,435	371

14. RELATED PARTY TRANSACTIONS

The Company entered into a note agreement (the "Note") with Rockfish Partnership in December 2002. The Note was subsequently amended in August 2003, increasing the amount available under the Note to $6.8 million and extending the maturity date to February 2004. The Note is intended to fund future Rockfish development and bears interest at LIBOR plus 1.5%. At June 25, 2003, $4.0 million was outstanding under the Note.

In fiscal 2002, the Company recorded an approximate $8.7 million charge in restaurant expenses to reduce its notes receivable from Eatzi's Corporation ("Eatzi's") to their net realizable value of $11.0 million. In November 2002, the Company completed the divestiture of Eatzi's and received an $11.0 million cash payment and a $4.0 million promissory note. The promissory note is unsecured and payable only upon the closing of an initial public offering by Eatzi's. Due to the uncertainty of collecting the promissory note, the Company has established a reserve for the entire principal balance. The carrying value of the notes was approximately $11.0 million at June 26, 2002.

Notes receivable are included in other assets in the accompanying consolidated balance sheets.

15. CONTINGENCIES

In April 2003, the Attorney General of California filed a complaint under California's Proposition 65 seeking penalties and injunctive relief against multiple restaurant groups, including the Company. Proposition 65 is a notice statute requiring a party to advise the public and its employees if a premise contains products that are known to cause cancer or reproductive toxicity. Methyl mercury compounds, which are listed under Proposition 65 to cause cancer and reproductive toxicity, can be found in certain select fish that have been or are served by the Company's restaurants. The complaint alleges the Company did not post appropriate notices in its restaurants related to these mercury compounds. The Company is in the preliminary stages of settlement discussions with the Attorney General. It is not possible at this time to reasonably estimate the possible loss or range of loss.

Due to the size of the Company and the nature of its business, the Company is routinely subject to compliance reviews by the Internal Revenue Service ("IRS") and other taxing jurisdictions on various tax matters, including challenges to various positions the Company asserts. The Company believes it has adequately accrued for tax contingencies that have met both the probable and reasonably estimable criteria. There are no amounts accrued for certain other tax contingencies that do not meet this criteria. In the event that the IRS or another taxing jurisdiction levies an assessment in the future, it is possible the assessment could have a material adverse effect on the Company's consolidated financial condition or results of operations.

The Company is engaged in various other legal proceedings and has certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, management of the Company, based upon consultation with legal counsel, is of the opinion that there are no matters pending or threatened 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.

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table summarizes the unaudited consolidated quarterly results of operations for fiscal 2003 and 2002 (in thousands, except per share amounts):

	Fiscal Year 2003 Quarters Ended			
	Sept. 25	Dec. 25	March 26	June 25
Revenues	$773,892	$794,510	$840,776	$876,216
Income before provision for income taxes	$ 67,777	$ 55,809	$ 69,205	$ 60,796
Net income	$ 45,004	$ 37,225	$ 46,160	$ 40,247
Basic net income per share	$0.46	$0.38	$0.48	$0.41
Diluted net income per share	$0.45	$0.38	$0.47	$0.40
Basic weighted average shares outstanding	97,177	96,784	97,025	97,405
Diluted weighted average shares outstanding	99,235	98,848	98,901	99,579

	Fiscal Year 2002 Quarters Ended			
	Sept. 26	Dec. 26	March 27	June 26
Revenues	$672,655	$685,752	$745,786	$782,918
Income before provision for income taxes	$ 60,695	$ 52,960	$ 51,617	$ 66,577
Net income	$ 39,634	$ 34,636	$ 34,170	$ 44,273
Basic net income per share	$0.40	$0.35	$0.35	$0.45
Diluted net income per share	$0.39	$0.35	$0.34	$0.44
Basic weighted average shares outstanding	98,963	97,718	97,694	97,675
Diluted weighted average shares outstanding	101,572	100,131	100,652	100,491

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Brinker International, Inc.:

We have audited the accompanying consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 25, 2003 and June 26, 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 25, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Brinker International, Inc. and subsidiaries as of June 25, 2003 and June 26, 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended June 25, 2003 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Dallas, Texas
July 31, 2003, except for Note 14,
as to which the date is August 15, 2003

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

To Our Shareholders:

Management is responsible for the reliability of the consolidated financial statements and related notes, which have been prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based upon our estimate and judgments, as required. The consolidated financial statements have been audited and reported on by our independent auditors, KPMG LLP, who were given free access to all financial records and related data, including minutes of the meetings of the Board of Directors and Committees of the Board. We believe that the representations made to the independent auditors were valid and appropriate.

The Company maintains a system of internal controls over financial reporting designed to provide reasonable assurance of the reliability of the consolidated financial statements. The Company's internal audit function monitors and reports on the adequacy of the compliance with the internal control system and appropriate actions are taken to address significant control deficiencies and other opportunities for improving the system as they are identified. The Audit Committee of the Board of Directors, which is comprised solely of outside directors, provides oversight to the financial reporting process through periodic meetings with our independent auditors, internal auditors, and management. Both our independent auditors and internal auditors have free access to the Audit Committee. Although no cost-effective internal control system will preclude all errors and irregularities, we believe our controls as of and for the year ended June 25, 2003 provide reasonable assurance that the consolidated financial statements are reliable.

RONALD A. MCDOUGALL
Chairman of the Board and Chief Executive Officer

CHARLES M. SONSTEBY
Executive Vice President and Chief Financial Officer

EXHIBIT 21

BRINKER INTERNATIONAL, INC., A DELAWARE CORPORATION

SUBSIDIARIES

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

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

MAGGIANO'S/CORNER BAKERY BEVERAGE COMPANY, a Texas corporation
MAGGIANO'S/CORNER BAKERY HOLDING CORPORATION, a Delaware corporation
MAGGIANO'S/CORNER BAKERY, L.P., a Texas limited partnership
BIG BOWL HOLDING CORPORATION, a Delaware corporation
BIG BOWL, INC., an Illinois corporation
BIG BOWL TEXAS, L.P., a Texas limited partnership
BRINKER VERMONT, INC., a Vermont corporation
BRINKER NEW ENGLAND I, LLC, a Delaware limited liability company
BRINKER NEW ENGLAND II, LLC, a Delaware limited liabilitycompany
BRINKER OF CHARLES COUNTY, INC., a Maryland corporation

Exhibit 23

The Board of Directors
Brinker International, Inc.:

We consent to the incorporation by reference in Registration Statement Nos. 33-61594, 33-56491, 333-02201, 333-93755, 3333-42224 and 333-105720 on Form S-8 and 333-74902 on Form S-3 of Brinker International, Inc. of our report dated July 31, 2003, except for note 14, as to which the date is August 15, 2003, relating to the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 25, 2003 and June 26, 2002 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 25, 2003, which report is incorporated by reference in the June 25, 2003 annual report on Form 10-K of Brinker International, Inc.

/KPMG LLP

Dallas, Texas
September 23, 2003

CERTIFICATION

I, Ronald A. McDougall, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 annual 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 annual 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: September 23, 2003

/s/ Ronald A. McDougall
Ronald A. McDougall
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Charles M. Sonsteby, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 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: September 23, 2003

/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 Annual Report on Form 10-K for the year ended June 25, 2003 (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.

Dated: September 23, 2003

By: /s/ Ronald A. McDougall
Name: Ronald A. McDougall
Title: Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended June 25, 2003 (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.

Dated: September 23, 2003

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