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 28, 2006 **Commission File No. 1-10275**

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**75-1914582**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
6820 LBJ Freeway, Dallas, Texas	**75240**
(Address of principal executive offices)	(Zip Code)

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

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

Title of Each Class
Common Stock, $0.10 par value

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) 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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer x Accelerated Filer o Non-Accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $3,189,036,212.

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 August 17, 2006
Common Stock, $0.10 par value	82,716,539 shares

DOCUMENTS INCORPORATED BY REFERENCE

We have incorporated portions of our Annual Report to Shareholders for the fiscal year ended June 28, 2006 into Part II hereof, to the extent indicated herein. We have also incorporated by reference portions of our Proxy Statement for our annual meeting of shareholders on November 2, 2006, to be dated on or about September 8, 2006, into Part III hereof, to the extent indicated herein.

PART I

Item 1. BUSINESS.

General

References to "Brinker," "the Company," "we," "us," and "our" in this Form 10-K are references to Brinker International, Inc. and its subsidiaries and any predecessor companies of Brinker International, Inc.

We own, develop, operate and franchise the Chili's Grill & Bar ("Chili's"), Romano's Macaroni Grill ("Macaroni Grill"), Maggiano's Little Italy ("Maggiano's"), and On The Border Mexican Grill & Cantina ("On The Border") restaurant brands. 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, which was organized in August 1977. We completed the acquisitions of Macaroni Grill in November 1989, On The Border in May 1994, and Maggiano's in August 1995.

Restaurant Brands

Chili's Grill & Bar

Chili's is a full-service restaurant, featuring a casual atmosphere and a varied menu of chicken, beef, pork and seafood entrees, steaks, fajitas, sandwiches, salads, appetizers, desserts, and our legendary Big Mouth Burgers and Baby Back Ribs. All of our menu items are prepared fresh daily according to special Chili's recipes. At most of our Chili's restaurants we have a full-service Margarita Bar serving alcohol, with a variety of specialty margaritas, including our signature drink, the Presidente Margarita. We place emphasis on serving substantial portions of fresh, flavorful, and high quality food at modest prices. Chili's also offers the convenience of a To-Go menu and To-Go entrance in most locations.

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

During the year ending June 28, 2006, entrée selections ranged in menu price from $5.99 to $15.49, with the average revenue per meal, including alcoholic beverages, approximating $12.18 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 86.3% of Chili's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 13.7%. Our average annual sales volume per Chili's restaurant was $3.2 million for this same year.

Romano's Macaroni Grill

Macaroni Grill is an exciting, national casual Italian restaurant that ignites the senses. Guests enjoy our culinary masterpieces inspired by the Italian passion and culinary heritage of Macaroni Grill. Menu selections include signature pastas, grilled steak, seafood, salads and delicious desserts—all prepared by talented chefs in open kitchens. Our Macaroni Grill restaurants feature brick ovens, festive string lights, fresh gladiolus, and a broad selection of house and premium wines. We meet our guests with a sincere

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welcome at the door and they enjoy warm, knowledgeable service. Additionally, our guests enjoy the convenience of Macaroni Grill's Curbside To Go service. We deliver delicious, chef-prepared meals right to their cars for our guests to enjoy at home. Macaroni Grill also offers catering service from drop-off delivery to full service event planning in selected locations.

During the year ending June 28, 2006, entrée selections ranged in menu price from $8.99 to $19.99, with chef features priced separately. The average revenue per meal, including alcoholic beverages, was approximately $14.96 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 87.7% of Macaroni Grill's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 12.3%. Our average annual sales volume per Macaroni Grill restaurant was $3.3 million for this year.

Maggiano's Little Italy

Maggiano's is a classic Italian-American restaurant in the style of New York's Little Italy in the 1940s. Our Maggiano's restaurants are casual, full-service restaurants featuring family-style menus and extensive banquet facilities that host events up to 300 people. We have a full lunch and dinner menu offering chef-prepared, classic Italian-American fare in the form of appetizers, bountiful portions of pasta, chicken, seafood, veal and prime steaks. Our Maggiano's restaurants also offer a full range of alcoholic beverages.

During the year ending June 28, 2006, entrée selections range in menu price from $8.95 to $37.95, with the average revenue per meal, including alcoholic beverages, approximating $25.58 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 80.1% of Maggiano's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 19.9%. Sales from our banquet facilities made up 20.1% of our total restaurant revenues for the year. Our average annual sales volume per Maggiano's restaurant was $9.4 million for this year.

On The Border Mexican Grill & Cantina

On The Border is a full-service, national, casual-dining Mexican restaurant chain. On The Border's menu offers a wide variety of Mexican favorites and is best known for its fajitas and margaritas. Our On The Border restaurants also offer a variety of innovative menu items from Guacamole Live! to Brisket Tacos and Enchiladas Suizas. Our new Margarita Selects are made with 100% blue agave tequila. As a full service restaurant, On The Border offers full bar service, in-restaurant dining and patio dining in all locations. On The Border also offers the convenience of a To-Go menu and To-Go entrance to speed take-out service in most locations. In addition to To-Go, On The Border offers catering service from simple drop-off delivery to full-service event planning.

During the year ending June 28, 2006, entrée selections range in menu price from $6.49 to $14.29, with the average revenue per meal, including alcoholic beverages, approximating $13.34 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 81.2% of the brand's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 18.8%. Our average annual sales volume per On The Border restaurant was $3.1 million for this year.

Business Development

Our long-term vision is to be a dominant, global casual-dining restaurant portfolio company. To achieve our vision, we focus our strategy on growing shareholder value through:

- expanding profitable restaurants globally while increasing the percentage of franchised restaurants in our brands;
- growing our base business through brand building and operational performance; and
- leveraging our customers and our infrastructure across our portfolio of brands.

In fulfilling our long-term vision, we continue to expand our restaurant brands by opening Company- and franchise-operated restaurants in strategically desirable markets. We concentrate on the development of certain identified markets to achieve the necessary levels to improve our competitive position, marketing potential, profitability and return on invested capital. Our domestic expansion efforts focus not only on major metropolitan areas in the United States but also on smaller market areas and non-traditional locations (such as airports and food courts) which can adequately support any of our restaurant brands. We continue to pursue development in countries outside of the United States through Company- and franchise-operated restaurants.

The restaurant site selection process is critical to our long-term success and we devote significant effort to the investigation of new locations utilizing a variety of sophisticated analytical techniques. The site selection process evaluates a variety of factors, including: 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 entertainment complexes and office buildings; supply and demand trends, such as proposed infrastructure

improvements, new developments, and existing and potential competition. Members of each restaurant brand's executive team inspect, review and approve each restaurant site prior to its acquisition for that restaurant brand.

We periodically reevaluate restaurant sites to ensure that site selection attributes have not deteriorated below our minimum standards. In the event site deterioration occurs, each brand 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 brand considers relocation to a proximate, more desirable site, or evaluates closing the restaurant if the brand's measurement criteria, such as return on investment and area demographic trends, do not support relocation. Since inception, relating to our restaurant brands, we have closed 111 restaurants, including 12 in fiscal 2006. These closed restaurants were performing below our standards primarily due to declining or shifting trade area demographics or near or at the expiration of their lease term. Our strategic plan is targeted to support our long-term growth objectives, with a focus on continued development of those restaurant brands that have the greatest return potential for the Company and our shareholders.

The following table illustrates the system-wide restaurants opened in fiscal 2006 and the planned openings in fiscal 2007:

	Fiscal 2006 Openings(1)	Fiscal 2007 Projected Openings
Chili's:		
Company-operated	103	125-130
Franchise	20	10-15
Macaroni Grill:		
Company-operated	7	4-5
Franchise	1	3-4
Maggiano's	4	4-5
On The Border:		
Company-operated	9	12-14
Franchise	1	4-6
International:		
Company-operated	—	—
Franchise	14	38-41
Total	159	200-220

(1) The numbers in this column are the total of new restaurant openings and openings of relocated restaurants during the fiscal year.

We anticipate that some of the fiscal 2007 projected restaurant openings may be constructed pursuant to "build-to-suit" agreements. Under these agreements, the lessor contributes some or substantially all, of the building construction costs. In other cases, we may either lease or own the land (paying for any owned land from our own funds) and either lease or own the building, furniture, fixtures and equipment (paying for any owned items from our own funds).

The following table illustrates the approximate average capital investment for a typical unit in our restaurant brands based on restaurants opened in fiscal 2006:

	Chili's	Macaroni Grill	Maggiano's	On The Border
Land(1)	$ 817,000	$ 1,472,000	$ 3,445,000	$ 1,112,000
Building	1,465,000	1,568,000	4,488,000	1,577,000
Furniture & Equipment	465,000	543,000	1,375,000	509,000
Other	42,000	40,000	64,000	40,000
Total	$ 2,789,000	$ 3,623,000	$ 9,372,000	$ 3,238,000

(1) This amount represents the average cost for land acquisition, capital lease values, or an equivalent amount for operating lease costs based on estimated lease payments and other costs that will be incurred through the term of the lease.

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

Domestic Franchise Operations

In addition to our company developed restaurants, we continue our domestic expansion by growing our number of franchised restaurants. We are accomplishing this part of our growth through new or renewed development obligations with new or existing franchisees. In many cases, we have also sold and may sell Company-owned restaurants to our franchisees (new or existing). At June 28, 2006, 20 total franchise development arrangements existed. During the year ended June 28, 2006, our franchisees opened 20 Chili's restaurants, one Macaroni Grill restaurant and one On The Border restaurant.

During fiscal 2006, we entered into new or renewed franchise development agreements with seven franchisees for the development of 53 Chili's restaurants, 12 Macaroni Grill restaurants and 16 On The Border restaurants. The areas of development for these franchise locations include all or portions of the States of California, Florida, Idaho, Montana, Oregon, South Carolina, and Wyoming. In particular, we signed a development agreement with a franchisee for the development of Chili's restaurants in the State of Montana which will give us the opportunity to have a Chili's restaurant located in all 50 states. In connection with several of these development agreements, we also sold 14 Company-owned Chili's restaurants, four Company-owned Macaroni Grill restaurants, and two Company-owned On The Border restaurants to five different franchisees.

We also acquired 11 Chili's franchised restaurants in the state of Texas in fiscal 2006, and the first Macaroni Grill restaurant airport location opened in Orlando, Florida.

Our goal is to selectively pursue domestic franchise expansion. A typical domestic franchise development agreement provides for payment of development and initial franchise fees in addition to subsequent royalty and advertising fees based on the gross sales of each restaurant. We expect future domestic franchise development agreements to remain limited to enterprises having significant experience as restaurant operators and proven financial ability to support and develop multi-unit operations.

International Operations

Our strategy also includes the development of our brands internationally. We continue our international growth through development agreements with new and existing franchisees introducing our brands into new countries, as well as expanding them in existing countries. At June 28, 2006, we had 28 total franchise development arrangements. During the fiscal year 2006, our franchisees opened 13 Chili's restaurants and one Macaroni Grill restaurant. In the same year, we entered into new or renewed franchise development agreements with 8 franchisees for the development of 61 Chili's restaurants, 26 Macaroni Grill restaurants, and 23 On The Border restaurants. The countries of development for these locations include Bahrain, Egypt, Guam, Japan, Jordan, Kuwait, Mexico, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Of note in fiscal 2006 was our acquisition of five franchised restaurants in the United Kingdom (four Chili's and one Macaroni Grill) from our franchisee. These restaurants are now owned and operated by our United Kingdom subsidiary.

As we develop our brands internationally, we will selectively pursue expansion through various means, including, franchising, joint ventures and Company-owned development. Similar to our domestic franchise agreements, a typical international franchise development agreement provides for payment of development fees and initial franchise fees in addition to subsequent royalty and advertising fees based on the gross sales of each restaurant. We expect future development agreements to remain limited to enterprises having significant experience as restaurant operators and proven financial ability to support and develop multi-unit, as well as in some instances multi-brands, operations.

Jointly-Developed Operations

From time to time, we enter into agreements for research and development activities related to the testing of new restaurant brands, typically acquiring a significant equity interest in such ventures. As of the end of June 28, 2006, we did not have any of these agreements.

Restaurant Management

Our philosophy to maintain and operate each brand as a distinct and separate entity ensures that the culture, recruitment and training programs and unique operating environments of each brand are preserved. These factors are critical to the viability of each brand. Each brand is directed by a president and one or more brand vice presidents overseeing specifically identified areas. At the same time we utilize common and shared infrastructure where it provides efficiencies and cost-savings to the brands.

Restaurant management structure varies by brand. 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 brand and each location. On average, an area director/supervisor is responsible for the supervision of three to seven restaurants. For those brands with a significant number of units within a geographical region, additional levels of management may be provided.

We believe that there is a high correlation between the quality of restaurant management and the long-term success of a brand. In that regard, we encourage increased tenure at all management positions through various short and long-term incentive programs, which may include equity ownership. These programs, coupled with a general management philosophy emphasizing quality of life, have enabled us to attract and retain management employees at levels above the industry norm.

We ensure consistent quality standards in all brands through the issuance of operations manuals covering all elements of operations and food and beverage manuals, which provide guidance for preparation of brand-formulated recipes. Routine visitation to the restaurants by all levels of supervision enforces strict adherence to our overall brand standards and operating procedures.

The director of training for each brand is responsible for maintaining each brand'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

Our ability to maintain consistent quality of products throughout each of our restaurant brands depends upon acquiring food and beverage products and related items from reliable sources. We pre-approve our suppliers. Our suppliers, and our restaurants, are required to adhere to strict product specifications established through our quality assurance program. This requirement ensures that high quality, wholesome food and beverage products are served in each of our restaurants. We negotiate directly with major suppliers to obtain competitive prices and use 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 to be delivered to any of our brand restaurants. 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

Our brands 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 we believe that, with increasing maturity, they prefer a more adult, upscale dining experience. To attract this target group, we rely primarily on television, radio, direct mail advertising and information communicated by customers, with each of our restaurant brands utilizing one or more of such mediums to meet the brand's needs and direction.

Our franchise agreements require advertising contributions to us by the franchisees. We use these contributions exclusively for the purpose of maintaining, directly administering and preparing standardized advertising and promotional activities. Franchisees also spend additional amounts on local advertising. Any local advertising must be approved by us first.

Employees

At June 28, 2006, we employed approximately 110,800 persons, of whom approximately 1,100 were corporate personnel, 6,400 were restaurant area directors, managers or trainees and 103,300 were employed in non-management restaurant positions. Our executive officers have an average of approximately 19 years of experience in the restaurant industry.

We consider our employee relations to be good and continue to focus on improving our employee turnover rate. Most employees, other than restaurant management and corporate personnel, are paid on an hourly basis. We believe that we provide working conditions and wages that compare favorably with those of our competition. Our employees are not covered by any collective bargaining agreements.

Trademarks

We have registered and/or have pending, among other marks, "Brinker International", "Chili's", "Chili's Bar & Bites", "Chili's Grill & Bar", "Chili's Margarita Bar", "Chili's Southwest Grill & Bar", "Chili's Too", "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.

Available Information

We maintain an internet website with the address of http://www.brinker.com. You may obtain, free of charge, copies of our reports filed with, or furnished to, the Securities and Exchange Commission (the "SEC") on Forms 10-K, 10-Q, and 8-K, Any amendments to such reports are also available for viewing and copying at our internet website. These reports will be available as soon as reasonably practicable after filing such material with, or furnishing it to, the SEC. In addition, you may view and obtain, free of charge, at our website, copies of our 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.

Item 1A. RISK FACTORS.

We wish to caution you that our business and operations are subject to a number of risks and uncertainties. The factors listed below are important factors that could cause actual results to differ materially from our historical results and from those projected in forward-looking statements contained in this report, in our other filings with the SEC, in our news releases, written or electronic communications, and verbal statements by our representatives.

You should be aware that forward-looking statements involve risks and uncertainties. These risks and uncertainties may cause our or our industry's actual results, performance or achievements to be materially different from any future results, performances or achievements contained in or implied by these forward-looking statements. Forward-looking statements are generally accompanied by words like "believes," "anticipates," "estimates," "predicts," "expects," and other similar expressions that convey uncertainty about future events or outcomes.

Risks Related to Our Business

Competition may adversely affect our operations and financial results.

The restaurant business is highly competitive as to price, service, restaurant location, nutritional and dietary trends and food quality, and is often affected by changes in consumer tastes, economic conditions, population and traffic patterns. We compete 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 ours. There is active competition for management personnel and hourly employees, and for attractive commercial real estate sites suitable for restaurants.

Our sales volumes generally decrease in winter months.

Our sales volumes fluctuate seasonally and are generally higher in the summer months and lower in the winter months, which may cause seasonal fluctuations in our operating results.

Changes in governmental regulation may adversely affect our ability to open new restaurants and our existing and future operations.

Each of our restaurants is subject to licensing and regulation by alcoholic beverage control, health, sanitation, safety and fire agencies in the state, county and/or municipality where the restaurant is located. We generally have not encountered any material difficulties or failures in obtaining the required licenses and approvals that could delay or prevent the opening of a new restaurant, or impact the continuing operations of an existing restaurant. Although we do not, at this time, anticipate any occurring in the future, we cannot assure you that we will not experience material difficulties or failures that could delay the opening of restaurants in the future, or impact the continuing operations of an existing restaurant.

We are subject to federal and state environmental regulations, and although these have not had a material negative effect on our operations, we cannot ensure that there will not be a material negative effect in the future. More stringent and varied requirements of local and state governmental bodies with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations.

We are 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. We expect increases in payroll expenses as a result of federal and state mandated increases in the minimum wage, and although such increases are not expected to be material, we cannot assure you that there will not be material increases in the future. In addition, our vendors may be affected by higher minimum wage standards, which may increase the price of goods and services they supply to us.

Inflation may increase our operating expenses.

We have not experienced a significant overall impact from inflation. Inflation can cause increased food, labor and benefits costs and can increase our operating expenses. As operating expenses increase, we, to the extent permitted by competition, recover increased costs by increasing menu prices, or by

reviewing, then implementing, alternative products or processes, or by implementing other cost reduction procedures. We cannot ensure, however, that we will be able to continue to recover increases in operating expenses due to inflation in this manner.

Our profitability may be adversely affected by increases in energy costs.

Our success depends in part on our ability to absorb increases in utility costs. Various regions of the United States in which we operate multiple restaurants have experienced significant increases in utility prices. If these increases continue to occur, it would have an adverse effect on our profitability.

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

We evaluate potential mergers, acquisitions, joint venture investments, and divestitures as part of our strategic planning initiative. These transactions involve various inherent risks, including accurately assessing:

- the value, future growth potential, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates;
- our ability to achieve projected economic and operating synergies; unanticipated changes in business and economic conditions affecting an acquired business; and
- our ability to complete divestitures on acceptable terms and at or near the prices estimated as attainable by us.

If we are unable to meet our growth plan, our profitability in the future may be adversely affected.

Our ability to meet our growth plan is dependent upon, among other things, our 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 brand 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. We cannot assure you that we will be able to expand our capacity in accordance with our growth objectives or that the new restaurants and brands opened or acquired will be profitable.

Unfavorable publicity relating to one or more of our 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 health concerns or operating issues stemming from one or a limited number of restaurants. In particular, since we depend heavily on the Chili's brand for a majority of our revenues, unfavorable publicity relating to one or more Chili's restaurants could have a material adverse effect on the Chili's brand, and consequently on our business, financial condition and results of operations.

Identification of material weakness in internal control may adversely affect our financial results.

We are subject to the ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002. Those provisions provide for the identification of material weaknesses in internal control. If such a material weakness is identified, it could indicate a lack of adequate controls to generate accurate financial statements. We routinely assess our internal controls, but we cannot assure you that we will be able to timely remediate any material weaknesses that may be identified in future periods, or maintain all of the controls necessary for continued compliance. Likewise, we cannot assure you that we will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies.

Other risk factors may adversely affect our financial performance.

Other risk factors that could cause our actual results to differ materially from those indicated in the forward-looking statements by affecting, among many things, pricing, consumer spending and consumer confidence, include, without limitation, changes in economic conditions, increased fuel costs and availability for our employees, customers and suppliers, health epidemics or pandemics or the prospects of these events (such as recent reports on avian flu), consumer perceptions of food safety, changes in consumer tastes and behaviors, governmental monetary policies, changes in demographic trends, availability of employees, terrorist acts, energy shortages and rolling blackouts, and weather (including, major hurricanes and regional snow storms) and other acts of God.

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES.

Restaurant Locations

At June 28, 2006, our system of Company-operated, jointly-developed and franchised restaurants included 1,622 restaurants located in 49 states, and Washington, D.C. We also have restaurants in the countries of Australia, Bahrain, Canada, Egypt, Great Britain, Germany, Guatemala, Indonesia, Japan, Kuwait, Lebanon, Malaysia, Mexico, Oman, Peru, Philippines, Puerto Rico, Qatar, Saudi Arabia, South Korea, Taiwan, United Arab Emirates, and Venezuela. We have provided you a breakdown of our portfolio of restaurants in the two tables below:

Table 1: Company-owned vs. franchise (by brand) as of June 28, 2006:

Chili's:	
Company-operated	908
Franchise	292
Macaroni Grill:	
Company-operated	222
Franchise	19
Maggiano's	37
On The Border:	
Company-operated	123
Franchise	21
Total	1,622

Table 2: Domestic vs. foreign locations (by brand) as of June 28, 2006:

	Domestic (No. of States)	Foreign (No. of countries)
Chili's	1,085 (49 & D.C.)	115 (23)
Macaroni Grill	232 (42)	9 (6)
Maggiano's	37 (20 & D.C.)	None
On The Border	144 (32)	None

Restaurant Property Information

The following table illustrates the approximate average dining capacity for each current prototypical restaurant in our restaurant brands:

	Chili's	Macaroni Grill	Maggiano's	On The Border
Square Feet	4,000 – 5,900	6,300 – 7,000	12,000 – 18,000	5,200 – 6,200
Dining Seats	150 – 220	235 – 280	500 – 725	195 – 265
Dining Tables	35 – 50	50 – 70	100 – 150	45 – 65

Some of our 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 28, 2006, we owned the land and building for 314 of our 1,290 Company-operated restaurant locations. For these 314 restaurant locations, the net book value for the land was $266.5 million and for the buildings was $271.0 million. On the remaining 976 restaurant locations leased by us, the net book value of the buildings and leasehold improvements was $871.1 million. We believe that our properties are suitable, adequate, well-maintained and sufficient for the operations contemplated.

Other Properties

We lease warehouse space totaling approximately 39,150 square feet in Carrollton, Texas, which we use for storage of equipment and supplies. We own an office building containing approximately 108,000 square feet which we use for part of our corporate headquarters and menu development activities. We lease an additional office complex containing approximately 198,000 square feet for the remainder of our corporate headquarters, of which approximately 197,500 square feet is currently utilized by the Company or reserved for future expansion of the Company headquarters, and the remaining approximate 500 square feet is under lease. Because of our operations throughout the United States, we also lease office space in Arizona, California, Colorado, Florida, Georgia, Illinois, New Jersey, Rhode Island and Texas for use as regional operation or real estate/construction offices. The size of these office leases range from approximately 150 square feet to approximately 4,000 square feet.

Item 3. LEGAL PROCEEDINGS.

Certain current and former hourly restaurant employees filed a lawsuit against us in California Superior Court alleging violations of California labor laws with respect to meal and rest breaks. The lawsuit seeks penalties and attorneys' fees and was certified as a class action in July 2006. Discovery is under way and we intend to vigorously defend our position. It is impossible at this time to reasonably estimate the possible loss or range of loss, if any.

We are engaged in various other legal proceedings and have certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, our management, 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 our 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, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our 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 28, 2006:

	High	Low
First Quarter	$40.63	$35.90
Second Quarter	$40.45	$36.12
Third Quarter	$42.74	$37.88

Fourth Quarter	$42.50	$35.35

Fiscal year ended June 29, 2005:

	High	Low
First Quarter	$36.47	$29.49
Second Quarter	$35.18	$30.64
Third Quarter	$39.00	$33.90
Fourth Quarter	$41.85	$33.50

As of August 17, 2006, there were 1,095 holders of record of our common stock.

During the fiscal year ended June 28, 2006, we declared quarterly cash dividends for our shareholders for the first time. We have set forth the dividends paid for the fiscal year in the following table:

Dividend Per Share of Common Stock	Declaration Date	Record Date	Payment Date
$0.10	September 15, 2005	November 22, 2005	December 14, 2005
$0.10	February 2, 2006	March 15, 2006	March 29, 2006
$0.10	June 7, 2006	June 19, 2006	June 28, 2006

In October 2001, we issued $431.7 million aggregate principal amount at maturity of Zero Coupon Convertible Senior Debentures Due 2021 (the "Debentures") and received proceeds totaling approximately $250 million prior to debt issuance costs. The Debentures became redeemable at our option beginning on October 10, 2004. On December 22, 2004, we exercised our right to redeem all of the Debentures. Holders had the option to convert the Debentures into shares of our common stock or receive cash until the close of business on January 20, 2005. Holders chose to convert a total of $10.8 million of the accreted debenture value into 308,092 shares of our common stock and the remaining accreted debenture value of $262.7 million was redeemed for cash on January 24, 2005.

In May 2004, we issued $300.0 million in the aggregate principal amount at maturity of 5.75% Notes due 2014 (the "Unregistered Notes"). The Unregistered Notes were not registered under the Securities Act of 1933, as amended. Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. served as the joint book-running managers for the offering. The Unregistered Notes were offered and sold only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act of 1933, as amended), and, outside the United States, to non-U.S. persons in reliance on Regulation S under the Securities Act. The Unregistered Notes are redeemable at our option at any time, in whole or in part. The proceeds of the offering were and will be used for general corporate purposes, including the repurchase of our common stock pursuant to our share repurchase program.

In September 2004, we completed an exchange offer in the aggregate principal amount of $300.0 million pursuant to which all of the holders of the Unregistered Notes exchanged the Unregistered Notes for new 5.75% notes due 2014 (the "Registered Notes"). The Registered Notes are on substantially the same terms as the Unregistered Notes except that the Registered Notes have been registered under the Securities Act and are freely tradeable. We did not receive any new proceeds from the issuance of the Registered Notes.

Except as described in the immediately preceding paragraphs, during the three-year period ended on August 17, 2006, we issued no securities which were not registered under the Securities Act of 1933, as amended.

We remain active in our share repurchase program. During the fourth quarter of fiscal 2006, we repurchased shares as follows (in thousands, except share and per share amounts):

	Total Number of Shares Purchased(1)	Average Price Paid per Share	Maximum Dollar Value that May Yet be Purchased Under the Program
March 30, 2006 through May 3, 2006	154,600	$40.45	$ 166,401.00
May 4, 2006 through May 31, 2006	1,015,300	$37.38	$ 128,420.00
June 1, 2006 through June 28, 2006	250,000	$36.06	$ 119,399.00
Total	1,419,900	$37.48	

(1) All of the shares purchased during the fourth quarter of fiscal 2006 were purchased as part of our publicly announced share repurchase program. If you would like information about this program, you should read the section entitled "Liquidity and Capital Resources" contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2006 Annual Report to Shareholders. This portion of the report is presented on pages F-5 through F-6 of Exhibit 13 to this document. We incorporate that information in this document by reference.

Item 6. SELECTED FINANCIAL DATA.

The information set forth in that section entitled "Selected Financial Data" in our 2006 Annual Report to Shareholders is presented on page F-1 of Exhibit 13 to this document. We incorporate that information in this document by reference.

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

The information set forth in that section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2006 Annual Report to Shareholders is presented on pages F-2 through F-7 of Exhibit 13 to this document. We incorporate that information in this document by reference.

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

The information set forth in that section entitled "Quantitative and Qualitative Disclosures About Market Risk" contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations" is in our 2006 Annual Report to Shareholders presented on page F-6 of Exhibit 13 to this document. We incorporate that information in this document by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

We refer you to the Index to Financial Statements attached hereto on page 18 for a listing of all financial statements in our 2006 Annual Report to Shareholders. This report is attached as part of Exhibit 13 to this document. We incorporate those financial statements in this document by reference.

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

None.

Item 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 [the "Exchange Act"]), as of the end of the period

covered by this Annual Report on Form 10-K, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective.

Management's Report on Internal Control over Financial Reporting

"Management's Report on Internal Control over Financial Reporting" and the attestation report of the independent registered public accounting firm of KPMG, LLP on internal control over financial reporting are in our 2006 Annual Report to Shareholders and are presented on pages F-27 through F-29 of Exhibit 13 to this document. We incorporate these reports in this document by reference.

Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our fourth quarter ended June 28, 2006, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION.

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

If you would like information about:

- our executive officers,
- our Board of Directors, including its committees, and
- our Section 16(a) reporting compliance,

you should read the sections entitled "Election of Directors—Information About Nominees", "Governance Of The Company", "Executive Officers", and "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement to be dated on or about September 8, 2006, for the annual meeting of shareholders on November 2, 2006. We incorporate that information in this document by reference.

The Board of Directors has adopted a code of ethics that applies to all of the members of Board of Directors and all of our employees, including, the principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the code is posted on our internet website at the internet address: http://www.brinker.com/corp_gov/ ethical_business_policy.asp. You may obtain free of charge copies of the code from our website at the above internet address.

Item 11. EXECUTIVE COMPENSATION.

If you would like information about our executive compensation, you should read the sections entitled "Executive Compensation" and "Report of the Compensation Committee" in our Proxy Statement to be dated on or about September 8, 2006, for the annual meeting of shareholders on November 2, 2006. We incorporate that information in this document by reference.

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

If you would like information about our security ownership of certain beneficial owners and management and related stockholder matters, you should read the sections entitled "Election of

Directors—Stock Ownership of Directors", "Executive Compensation—Equity Compensation Plan Information", and "Stock Ownership of Certain Persons" in our Proxy Statement to be dated on or about September 8, 2006, for the annual meeting of shareholders on November 2, 2006. We incorporate that

information in this document by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

If you would like information about certain relationships and related transactions, you should read the section entitled "Compensation Committee Interlocks and Insider Participation" in our Proxy Statement to be dated on or about September 8, 2006, for the annual meeting of shareholders on November 2, 2006. We incorporate that information in this document by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

If you would like information about principal accountant fees and services, you should read the section entitled "Ratification of Independent Auditors" in our Proxy Statement to be dated on or about September 8, 2006, for the annual meeting of shareholders on November 2, 2006. We incorporate that information in this document by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) (1) Financial Statements.

We make reference to the Index to Financial Statements attached to this document on page 18 for a listing of all financial statements attached as Exhibit 13 to this document.

(a) (2) Financial Statement Schedules.

None.

(a) (3) Exhibits.

We make reference to the Index to Exhibits preceding the exhibits attached hereto on page E-1 for a list of all exhibits filed as a part of this document.

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: August 23, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, we have signed in our indicated capacities on August 23, 2006.

Name	Title
/s/ DOUGLAS H. BROOKS Douglas H. Brooks	Chairman of the Board, President, 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/ ROBERT M. GATES Robert M. Gates	Director
/s/ MARVIN J. GIROUARD Marvin J. Girouard	Director
/s/ RONALD KIRK Ronald Kirk	Director
/s/ GEORGE R. MRKONIC George R. Mrkonic	Director
/s/ ERLE NYE Erle Nye	Director
/s/ JAMES E. OESTERREICHER James E. Oesterreicher	Director
/s/ ROSENDO G. PARRA Rosendo G. Parra	Director

/s/ CECE SMITH	Director
Cece Smith	

INDEX TO FINANCIAL STATEMENTS

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

	Page
Selected Financial Data	F-1
Management's Discussion and Analysis of Financial Condition and Results of Operations	F-2
Consolidated Statements of Income—Fiscal Years Ended June 28, 2006, June 29, 2005, and June 30, 2004	F-8
Consolidated Balance Sheets—June 28, 2006 and June 29, 2005	F-9
Consolidated Statements of Shareholders' Equity—Fiscal Years Ended June 28, 2006, June 29, 2005, and June 30, 2004	F-10
Consolidated Statements of Cash Flows—Fiscal Years Ended June 28, 2006, June 29, 2005, and June 30, 2004	F-11
Notes to Consolidated Financial Statements	F-12
Reports of Independent Registered Public Accounting Firm	F-27
Management's Responsibility for Consolidated Financial Statements	F-29
Management's Report on Internal Control over Financial Reporting	F-29

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.(2)
4(a)	Form of 5.75% Note due 2014.(3)
4(b)	Indenture between the Registrant and Citibank, N.A., as Trustee.(2)
4(c)	Registration Rights Agreement by and among the Registrant, Citigroup Global Marketing, Inc., and J.P. Morgan Securities, Inc., as representatives of the initial named purchasers of the Notes.(2)
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.(5)
10(e)	Transition Agreement dated June 5, 2003, by and among Registrant, Brinker International Payroll Company, L.P. and Mr. Ronald A. McDougall.(6)
10(f)	Consulting Agreement dated August 26, 2004, by and between Registrant and Mr. Ronald A. McDougall.(7)
10(g)	Registrant's Performance Share Plan Description.(8)
13	2006 Annual Report to Shareholders.(9)
21	Subsidiaries of the Registrant.(10)
23	Consent of Independent Registered Public Accounting Firm.(10)
31(a)	Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 17 CFR 240.13a—14(a) or 17 CFR 240.15d—14(a).(10)
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).(10)
32(a)	Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(10)
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.(10)
99(a)	Proxy Statement of Registrant.(11)

(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-4 filed June 25, 2004, SEC File No. 333-116879, and incorporated herein by reference.

(3) Included in exhibit 4(d) to annual report on Form 10-K for year ended June 30, 2004, 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 as an exhibit to quarterly report on Form 10-Q for the quarter ended December 28, 2005, and incorporated herein by reference.

(6) Filed as an exhibit to annual report on Form 10-K for the year ended June 25, 2003, and incorporated herein by reference.

(7) Filed as an exhibit to annual report on Form 10-K for the year ended June 30, 2004, and incorporated herein by reference.

(8) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended March 29, 2006, and incorporated herein by reference.

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

(10) Filed herewith.

(11) To be filed on or about September 8, 2006.

BRINKER INTERNATIONAL, INC.

SELECTED FINANCIAL DATA

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

	Fiscal Years				
	2006	2005	2004(a)	2003	2002
Income Statement Data:					
Revenues	$ 4,151,291	$ 3,749,539	$ 3,541,005	$ 3,141,611	$ 2,763,188
Operating Costs and Expenses:					
Cost of sales	1,160,931	1,059,822	980,717	861,515	763,742
Restaurant expenses	2,264,525	2,076,453	1,924,390	1,707,760	1,500,126
Depreciation and amortization	190,206	179,908	167,802	150,739	122,620
General and administrative	207,080	153,116	150,558	129,465	119,578
Restructure charges and other impairments	1,950	61,855	69,236	28,516	8,723
Total operating costs and expenses	3,824,692	3,531,154	3,292,703	2,877,995	2,514,789
Operating income	326,599	218,385	248,302	263,616	248,399
Interest expense	22,857	25,260	11,495	12,340	13,218
Other, net	(1,656)	1,526	1,742	567	2,332
Income before provision for income taxes	305,398	191,599	235,065	250,709	232,849
Provision for income taxes	91,448	33,143	82,882	83,877	79,510
Income from continuing operations	213,950	158,456	152,183	166,832	153,339
(Loss)income from discontinued operations, net of taxes	(1,555)	1,763	(1,265)	(632)	(2,694)
Net income	$ 212,395	$ 160,219	$ 150,918	$ 166,200	$ 150,645
Basic net income per share:					
Income from continuing operations	$ 2.49	$ 1.79	$ 1.58	$ 1.72	$ 1.57
(Loss) income from discontinued operations	$ (0.02)	$ 0.02	$ (0.01)	$ (0.01)	$ (0.03)
Net income per share	$ 2.47	$ 1.81	$ 1.57	$ 1.71	$ 1.54
Diluted net income per share:					
Income from continuing operations	$ 2.45	$ 1.71	$ 1.49	$ 1.62	$ 1.49
(Loss) income from discontinued operations	$ (0.02)	$ 0.02	$ (0.01)	$ (0.01)	$ (0.02)
Net income per share	$ 2.43	$ 1.73	$ 1.48	$ 1.61	$ 1.47
Basic weighted average shares outstanding	85,844	88,530	96,072	97,096	97,862
Diluted weighted average shares outstanding	87,289	94,229	105,739	106,935	105,563
Balance Sheet Data:					
Working capital (deficit)	$ (255,065)	$ (116,999)	$ 86,591	$ (72,410)	$ (88,845)
Total assets	2,221,779	2,156,124	2,254,424	1,978,895	1,811,252
Long-term obligations	648,572	625,878	855,153	531,666	535,758
Shareholders' equity	1,075,832	1,100,282	1,010,422	1,127,642	966,924
Dividends per share	0.30	—	—	—	—
Number of Restaurants Open (End of Period):					
Company-operated	1,290	1,268	1,194	1,145	1,039
Franchised/Joint venture	332	320	282	257	229
Total	1,622	1,588	1,476	1,402	1,268

(a) Fiscal year 2004 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 our performance 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.

We have a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal years 2006 and 2005, which ended on June 28, 2006 and June 29, 2005, respectively, contained 52 weeks, while fiscal year 2004, which ended on June 30, 2004, contained 53 weeks.

RESULTS OF OPERATIONS FOR FISCAL YEARS 2006, 2005, and 2004

The following table sets forth income and expense items as a percentage of total revenues for the periods indicated:

	Percentage of Total Revenues Fiscal Years		
	2006	2005	2004
Revenues	100.0%	100.0%	100.0%
Operating Costs and Expenses:			
Cost of sales	28.0%	28.3%	27.7%
Restaurant expenses	54.5%	55.4%	54.3%
Depreciation and amortization	4.6%	4.8%	4.7%
General and administrative	5.0%	4.1%	4.3%
Restructure charges and other impairments	0.0%	1.6%	2.0%
Total operating costs and expenses	92.1%	94.2%	93.0%

Operating income	7.9%	5.8%	7.0%
Interest expense	0.5%	0.7%	0.3%
Other, net	0.0%	0.0%	0.1%
Income before provision for income taxes	7.4%	5.1%	6.6%
Provision for income taxes	2.2%	0.9%	2.3%
Income from continuing operations	5.2%	4.2%	4.3%
(Loss) income from discontinued operations, net of taxes	(0.1)%	0.1%	0.0%
Net income	5.1%	4.3%	4.3%

OVERVIEW

We are 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"), and On The Border Mexican Grill & Cantina ("On The Border") restaurant brands. At June 28, 2006, we owned, operated, or franchised 1,622 restaurants. In September 2005, we entered into an agreement to sell Corner Bakery Cafe ("Corner Bakery"). The sale of the brand was completed in February 2006. As a result, Corner Bakery is presented as discontinued operations in the accompanying consolidated financial statements.

We intend to continue the expansion of our restaurant brands by opening units in strategically desirable markets. The restaurant site selection process is critical to our long-term success and we devote significant effort to the investigation of new locations utilizing a variety of sophisticated analytical techniques. We intend to concentrate on the development of certain identified markets to achieve penetration levels deemed desirable in order to improve competitive position, marketing potential and

profitability. Expansion efforts will be focused not only on major metropolitan areas, but also on smaller market areas and non-traditional locations (such as airports and food courts) that can adequately support any of our restaurant brands. In addition, we intend to pursue domestic and international franchise expansion to achieve our goal of increasing franchise ownership of our brands from 20% to approximately 30% through an active program of franchising company-owned restaurants and accelerated development commitments from franchisees. Future franchise development agreements are expected to remain limited to enterprises having significant restaurant or enterprise management experience and proven financial ability to develop multi-unit operations. The specific rate at which we are able to open new restaurants is determined by our success in locating satisfactory sites, negotiating acceptable lease or purchase terms, securing appropriate local governmental permits and approvals, and by our capacity to supervise construction and recruit and train management personnel.

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

REVENUES

Revenues for fiscal 2006 increased to $4,151.3 million, 10.7% over the $3,749.5 million generated for fiscal 2005. Revenues for fiscal 2005 increased 5.9% from fiscal 2004 revenues of $3,541.0 million (8.0% excluding revenues of $70.3 million for the additional week in fiscal 2004). The increases were primarily attributable to a net increase of 109 and 70 company-owned restaurants (excluding Corner Bakery) in fiscal 2006 and 2005, respectively, and an increase in comparable store sales. Revenues for fiscal 2006 increased primarily due to a 7.2% increase in capacity (as measured by average-weighted sales weeks) and a 1.5% increase in comparable store sales. Revenues for fiscal 2005 increased primarily due to a 1.9% increase in capacity and a 2.5% increase in comparable store sales. Capacity increased 3.9% for fiscal 2005 on a comparable 52-week basis. Menu prices in the aggregate increased 3.0% and 2.7% in fiscal 2006 and 2005, respectively.

COSTS AND EXPENSES

Cost of sales, as a percent of revenues, decreased 0.3% in fiscal 2006 due primarily to a 0.7% increase in menu prices, a 0.2% favorable price change in bread and dairy, and a 0.2% favorable product mix shift for poultry, partially offset by a 0.7% unfavorable product mix shift for meat and a 0.1% price increase in poultry. Cost of sales, as a percent of revenues, increased 0.6% in fiscal 2005 due primarily to a 0.9% increase in commodity prices for meat, poultry and produce and a 0.6% unfavorable product mix shift for meat and seafood, partially offset by a 0.9% increase in menu prices.

Restaurant expenses, as a percent of revenues, decreased 0.9% in fiscal 2006. The decrease was primarily due to gains recorded in fiscal 2006 related to the sale of company-owned restaurants to franchisees and the sale of real estate totaling $19.3 million, increases in sales leverage and productivity, and a reduction in repair and maintenance expenses. The decrease was also due to a $23.3 million increase in utility and vacation costs recorded in fiscal 2005 resulting from the correction of accounting policies and the $17.3 million FICA tax assessment recorded in fiscal 2005. The decrease was partially offset by an increase in stock-based compensation of $9.4 million and an increase in advertising. Restaurant expenses, as a percent of revenues, increased 1.1% in fiscal 2005. The increase was primarily due to the utility and vacation costs and the FICA tax assessment previously mentioned, increases in labor costs related to new product rollouts and service initiatives, and increases in repair and maintenance expenses. These increases were partially offset by gains related to the sale of company-owned restaurants to franchisees and the sale of real estate totaling $9.1 million and a decrease in advertising costs.

Depreciation and amortization increased $10.3 million and $12.1 million in fiscal 2006 and 2005, respectively. The increases were due to new unit construction and ongoing remodel costs, partially offset by a decrease in depreciation related to the disposition of stores and a declining depreciable asset base for older units.

General and administrative expenses increased $54.0 million and $2.6 million in fiscal 2006 and 2005, respectively. The increase in fiscal 2006 was due primarily to an increase of $23.6 million in performance based compensation that was not paid out in the prior year, $20.7 million in stock-based

compensation expense, and payroll costs resulting from an increase in headcount. The increase in fiscal 2005 was due primarily to increased costs related to consumer research and an increase in payroll costs resulting from an increase in headcount, partially offset by a decrease in performance based compensation.

Restructure charges and other impairments recorded during fiscal 2006 consist of $3.1 million in net charges associated with closed restaurants and asset impairments, partially offset by a $1.1 million gain related to the final disposition of our interest in Rockfish Seafood Grill ("Rockfish"). Restructure charges and other impairments recorded during fiscal 2005 consist of a $36.4 million charge related to the disposition of the remaining Big Bowl Asian Kitchen ("Big Bowl") restaurants, a $16.9 million charge to fully impair the investment and notes receivable associated with Rockfish, and a $8.6 million charge related primarily to restaurant closures.

Interest expense decreased by $2.4 million in fiscal 2006 due primarily to the redemption of the convertible senior debentures in January 2005 and the final scheduled payment of the remaining principal balance on the senior notes in April 2005, partially offset by increased average borrowings and interest rates on our lines of credit. Interest expense increased by $13.8 million in fiscal 2005 due primarily to interest related to the 5.75% notes (the "Notes") issued in May 2004 and increased average borrowings on our lines of credit. These increases were partially offset by a decrease in interest expense due to the redemption of the convertible senior debentures and the final scheduled repayment of the senior notes.

Other, net decreased $3.2 million in fiscal 2006 due to fully impairing our investment in Rockfish during fiscal 2005 and a decrease in expense related to our net savings plan obligations as a result of partially terminating one of our savings plans and distributing $31.8 million to participants.

INCOME TAXES

The effective income tax rate related to continuing operations was 29.9%, 17.3%, and 35.3% in fiscal 2006, 2005, and 2004, respectively. The increase in fiscal 2006 and the decrease in 2005 were primarily due to the income tax benefit of $16.9 million, consisting primarily of federal income tax credits related to the additional FICA taxes paid as a result of the Internal Revenue Service ("IRS") resolution in fiscal 2005, the disposition of Big Bowl in fiscal 2005, which allowed us to take tax deductions for goodwill impairment charges totaling $48.6 million, and a $6.6 million tax benefit related to the correction of deferred tax liabilities as a result of an analysis of the tax basis of certain property and equipment balances in fiscal 2005. The increase in fiscal 2006 was also due to stock-based compensation related to incentive stock options. The increase in fiscal 2006 was partially offset by an income tax benefit totaling $8.1 million associated with the favorable settlement of certain IRS audits and a decrease in the effective tax rate for state income taxes.

IMPACT OF INFLATION

We have not experienced a significant overall impact from inflation. To the extent permitted by competition, increased costs are recovered through a combination of menu price increases and reviewing, then implementing, alternative products or processes.

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit increased to $255.1 million at June 28, 2006 from $117.0 million at June 29, 2005, primarily due to repurchases of treasury stock and the payment of our first quarterly dividends in fiscal 2006. Net cash provided by operating activities increased to $470.5 million for fiscal 2006 from $425.4 million for fiscal 2005 due to increased profitability and the timing of operational receipts and payments. Our various sources of capital, including availability under existing credit facilities, ability to raise additional financing, and cash flow from operating activities, are adequate to finance operations as well as the repayment of current debt obligations.

Payments due under our contractual obligations for outstanding indebtedness, purchase obligations as defined by the Securities and Exchange Commission, and the expiration of credit facilities as of June 28, 2006 are as follows:

	Payments Due by Period (in thousands)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt(a)	$ 596,899	$ 131,893	$ 37,109	$ 67,109	$ 360,788
Capital leases	79,814	4,771	9,807	10,174	55,062
Operating leases	890,235	113,137	209,713	177,760	389,625
Purchase obligations(b)	73,285	29,937	43,348	—	—

	Amount of Credit Facility Expiration by Period (in thousands)				
	Total Commitment	Less than 1 Year(c)	1-3 Years	3-5 Years	More than 5 Years
Credit facilities	$450,000	$150,000	$ —	$ 300,000	$ —

(a) Long-term debt consists of amounts owed on the 5.75% notes, mortgage loan obligations, credit facilities and accrued interest on fixed-rate obligations totaling $144.0 million.

(b) A "purchase obligation" is defined as an agreement to purchase goods or services that is enforceable and legally binding on us and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase obligations primarily consist of long-term obligations for the purchase of telecommunication and health services, certain non-alcoholic beverages and baked goods and exclude agreements that are cancelable without significant penalty.

(c) 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 funding. Should any or all of these obligations not be extended, we have adequate capacity under the committed facility, which does not expire until October 2009.

Capital expenditures consist of purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, and ongoing remodeling programs. Capital expenditures were $354.6 million in fiscal 2006 compared to $322.7 million in fiscal 2005. Fiscal 2007 capital expenditures will approximate $460.0 million and will be funded entirely from operations and other various sources of capital including existing credit facilities.

We completed the sale of Corner Bakery in February 2006 for gross cash proceeds of $72.5 million. We also received cash proceeds of $48.5 million for the sale of twenty restaurants to franchisees and the sale of real estate. In addition, we acquired sixteen restaurants from franchisees in fiscal 2006 for approximately $23.1 million.

In fiscal 2006, we declared three quarterly dividends to common stock shareholders, each in the amount of $0.10 per share. Total dividends paid during fiscal 2006 were $25.4 million.

The Board of Directors authorized increases in the stock repurchase plan of $150.0 million in August 2005 and February 2006, bringing the total to $1,310.0 million. Pursuant to our stock repurchase plan, we repurchased approximately 7.8 million shares of common stock for $305.7 million during fiscal 2006. As of June 28, 2006, approximately $119.4 million was available under the share repurchase authorizations. The stock repurchase plan will be used to minimize the dilutive impact of stock options and other share-based awards. We will consider additional share repurchases based on several factors, including our cash position, share price, operational liquidity, and planned investment and financing needs. The repurchased common stock is reflected as a reduction of shareholders' equity.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We are exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. The variable rate financial instruments, consisting of the outstanding borrowings on credit facilities and the notional amounts of interest rate swaps, totaled $255.4 million at June 28, 2006. The impact on our annual results of operations of a one-point interest rate change on the outstanding balance of these variable rate financial instruments as of June 28, 2006 would be approximately $2.6 million. We may from time to time utilize interest rate swaps to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates.

We purchase certain commodities such as beef, pork, poultry, produce, and dairy. These commodities are generally purchased based upon market prices established with vendors. These purchase arrangements may contain contractual features that fix the price paid for certain commodities. We do 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 our expectations for the period of time that the asset will be used to generate revenue. We periodically review the assets for changes in circumstances, which may impact their useful lives.

Impairment of Long-Lived Assets and Goodwill

We review property and equipment for impairment when events or circumstances indicate that the carrying amount of a restaurant's assets may not be recoverable. We test for impairment using historical cash flows and other relevant facts and circumstances as the primary basis for our 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 we assess the recoverability of goodwill related to our restaurant brands. This impairment test requires us to estimate fair values of our restaurant brands by making assumptions regarding future profits and cash flows, expected growth rates, terminal values, and other factors. In the event that these assumptions change in the future, we may be required to record impairment charges related to goodwill.

Financial Instruments

We enter into interest rate swaps to maintain the value of certain 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 our derivatives and interest costs in future periods.

Self-Insurance

We are self-insured for certain losses related to health, general liability and workers' compensation. We maintain stop loss coverage with third party insurers to limit our total exposure. The self-insurance liability represents an estimate of the ultimate cost of claims incurred and unpaid 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 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 PRONOUNCEMENT

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 requires companies to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. This interpretation also provides guidance on derecognition, classification, accounting in interim periods, and expanded disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are currently in the process of assessing the impact that FIN 48 will have on our consolidated financial statements.

BRINKER INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	Fiscal Years 2006	2005	2004
Revenues	$ 4,151,291	$ 3,749,539	$ 3,541,005
Operating Costs and Expenses:			
Cost of sales	1,160,931	1,059,822	980,717
Restaurant expenses	2,264,525	2,076,453	1,924,390
Depreciation and amortization	190,206	179,908	167,802
General and administrative	207,080	153,116	150,558
Restructure charges and other impairments	1,950	61,855	69,236
Total operating costs and expenses	3,824,692	3,531,154	3,292,703
Operating income	326,599	218,385	248,302
Interest expense	22,857	25,260	11,495
Other, net	(1,656)	1,526	1,742
Income before provision for income taxes	305,398	191,599	235,065
Provision for income taxes	91,448	33,143	82,882
Income from continuing operations	213,950	158,456	152,183
(Loss) income from discontinued operations, net of tax	(1,555)	1,763	(1,265)
Net income	$ 212,395	$ 160,219	$ 150,918
Basic net income per share:			
Income from continuing operations	$ 2.49	$ 1.79	$ 1.58
(Loss) income from discontinued operations	$ (0.02)	$ 0.02	$ (0.01)
Net income per share	$ 2.47	$ 1.81	$ 1.57
Diluted net income per share:			
Income from continuing operations	$ 2.45	$ 1.71	$ 1.49
(Loss) income from discontinued operations	$ (0.02)	$ 0.02	$ (0.01)
Net income per share	$ 2.43	$ 1.73	$ 1.48
Basic weighted average shares outstanding	85,844	88,530	96,072
Diluted weighted average shares outstanding	87,289	94,229	105,739

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	2006	2005
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 55,615	$ 41,859
Accounts receivable	52,540	43,592
Inventories	40,330	48,647
Prepaid expenses and other	85,187	77,069
Deferred income taxes	8,638	21,956
Current assets of discontinued operations	—	79,842
Total current assets	242,310	312,965
Property and Equipment, at Cost:		
Land	279,369	284,885
Buildings and leasehold improvements	1,715,917	1,507,587
Furniture and equipment	745,812	697,352
Construction-in-progress	94,734	81,622
	2,835,832	2,571,446
Less accumulated depreciation and amortization	(1,043,108)	(924,980)
Net property and equipment	1,792,724	1,646,466
Other Assets:		

Goodwill	145,479	124,749
Other	41,266	71,944
Total other assets	186,745	196,693
Total assets	$ 2,221,779	$ 2,156,124
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 2,197	$ 1,805
Accounts payable	151,216	133,096
Accrued liabilities	314,509	261,924
Income taxes payable	29,453	22,739
Current liabilities of discontinued operations	—	10,400
Total current liabilities	497,375	429,964
Long-term debt, less current installments	500,515	406,505
Deferred income taxes	7,016	56,189
Other liabilities	141,041	163,184
Commitments and Contingencies (Notes 9 and 13)		
Shareholders' Equity:		
Common stock—250,000,000 authorized shares; $.10 par value; 117,499,541 shares issued and 83,539,647 shares outstanding at June 28, 2006, and 117,499,541 shares issued and 89,182,804 shares outstanding at June 29, 2005	11,750	11,750
Additional paid-in capital	406,626	369,813
Accumulated other comprehensive income	773	700
Retained earnings	1,608,661	1,421,866
	2,027,810	1,804,129
Less treasury stock, at cost (33,959,894 shares at June 28, 2006 and 28,316,737 shares at June 29, 2005)	(951,978)	(703,847)
Total shareholders' equity	1,075,832	1,100,282
Total liabilities and shareholders' equity	$ 2,221,779	$ 2,156,124

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
	Shares	Amount					
Balances at June 25, 2003	97,855	$ 11,750	$ 342,500	$ 1,110,729	$ (337,946)	$ 609	$ 1,127,642
Net income	—	—	—	150,918	—	—	150,918
Change in fair value of investments, net of tax	—	—	—	—	—	128	128
Comprehensive income							151,046
Purchases of treasury stock	(9,326)	—	—	—	(322,615)	—	(322,615)
Issuances of common stock	2,053	—	2,049	—	39,538	—	41,587
Tax benefit from stock options exercised	—	—	9,752	—	—	—	9,752
Stock-based compensation	—	—	1,770	—	—	—	1,770
Issuance of restricted stock, net of forfeitures	66	—	23	—	1,217	—	1,240
Balances at June 30, 2004	90,648	11,750	356,094	1,261,647	(619,806)	737	1,010,422
Net income	—	—	—	160,219	—	—	160,219
Change in fair value of investments, net of tax	—	—	—	—	—	(37)	(37)
Comprehensive income							160,182
Purchases of treasury stock	(4,953)	—	—	—	(170,210)	—	(170,210)
Issuances of common stock	3,449	—	(3,271)	—	85,180	—	81,909
Tax benefit from stock options exercised	—	—	16,088	—	—	—	16,088
Stock-based compensation	—	—	1,252	—	—	—	1,252
Issuance of restricted stock, net of forfeitures	39	—	(350)	—	989	—	639
Balances at June 29, 2005	89,183	11,750	369,813	1,421,866	(703,847)	700	1,100,282
Net income	—	—	—	212,395	—	—	212,395
Change in fair value of investments, net of tax	—	—	—	—	—	73	73
Comprehensive income							212,468
Dividends ($0.30 per share)	—	—	—	(25,600)	—	—	(25,600)
Stock-based compensation	—	—	31,990	—	—	—	31,990
Purchases of treasury stock	(7,828)	—	—	—	(305,714)	—	(305,714)
Issuances of common stock	1,907	—	3,173	—	50,635	—	53,808
Tax benefit from stock options exercised	—	—	7,387	—	—	—	7,387
Issuance of restricted share awards, net of forfeitures	278	—	(5,737)	—	6,948	—	1,211
Balances at June 28, 2006	83,540	$ 11,750	$ 406,626	$ 1,608,661	$ (951,978)	$ 773	$ 1,075,832

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Fiscal Years		
	2006	2005	2004
Cash Flows from Operating Activities:			
Net income	$ 212,395	$ 160,219	$ 150,918
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	190,206	179,908	167,802
Restructure charges and other impairments	1,950	61,855	69,236
Stock-based compensation	32,200	2,127	2,702
Deferred income taxes	(34,219)	(14,852)	1,467
Gain on sale of assets	(19,278)	(6,314)	(2,452)
Amortization of deferred costs	(39)	3,113	7,548
Loss (income) from discontinued operations, net of taxes	1,555	(1,763)	1,265
Gain on extinguishment of debt	—	(1,750)	—
Changes in assets and liabilities, excluding effects of acquisitions and dispositions:			
Receivables	(8,948)	(5,821)	(4,203)
Inventories	8,474	(12,500)	(13,800)
Prepaid expenses and other	(3,773)	(3,867)	1,562
Other assets	19,198	(3,422)	(3,162)
Income taxes payable	11,994	(4,844)	34,115
Accounts payable	18,120	27,301	(2,273)
Accrued liabilities	54,016	36,541	35,376
Other liabilities	(13,346)	9,430	21,917
Net cash provided by operating activities of continuing operations	470,505	425,361	468,018
Cash Flows from Investing Activities:			
Payments for property and equipment	(354,607)	(322,713)	(304,482)
Proceeds from sale of assets	48,462	38,928	22,235
Payments for purchases of restaurants	(23,095)	—	—
Proceeds from disposition of equity method investee	1,101	—	—
Purchases of short-term investments	—	—	(254,175)
Proceeds from sale of short-term investments	—	179,325	74,850
Net payments to affiliates	—	—	(2,252)
Net cash used in investing activities of continuing operations	(328,139)	(104,460)	(463,824)
Cash Flows from Financing Activities:			
Purchases of treasury stock	(305,714)	(170,210)	(322,615)
Net borrowings on credit facilities	80,300	62,900	—
Proceeds from issuances of treasury stock	53,808	71,112	41,587
Payments of dividends	(25,417)	—	—
Excess tax benefits from stock-based compensation	2,107	6,628	4,749
Payments on long-term debt	(1,581)	(301,364)	(17,120)
Net proceeds from issuance of debt	—	—	296,075
Net cash (used in) provided by financing activities of continuing operations	(196,497)	(330,934)	2,676
Cash Flows from Discontinued Operations (Revised):			
Net cash provided by operating activities of discontinued operations	5,042	12,324	17,952
Net cash provided by (used in) investing activities of discontinued operations	62,845	(7,471)	(10,877)
Net cash provided by discontinued operations	67,887	4,853	7,075
Net change in cash and cash equivalents	13,756	(5,180)	13,945
Cash and cash equivalents at beginning of year	41,859	47,039	33,094
Cash and cash equivalents at end of year	$ 55,615	$ 41,859	$ 47,039

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

Our consolidated financial statements include the accounts of Brinker International, Inc. and our wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. We own, operate, or franchise various restaurant brands principally located in the United States.

We have a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal 2006 and 2005, which ended on June 28, 2006 and June 29, 2005, respectively, each contained 52 weeks. Fiscal year 2004 ended on June 30, 2004 and contained 53 weeks.

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform with fiscal 2006 presentation. These reclassifications have no effect on our net income or financial position as previously reported.

(b) Revenue Recognition

We record revenue from the sale of food, beverages and alcohol as products are sold. Initial fees received from a franchisee to establish a new franchise are recognized as income when we have performed our 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

Our policy is to invest cash in excess of operating requirements in income-producing investments. Income-producing investments with original maturities of three months or less are reflected as cash equivalents.

Our financial instruments at June 28, 2006 and June 29, 2005 consist of cash equivalents, short-term investments, accounts receivable, and long-term debt. The fair value of the Notes, based on quoted market prices, totaled approximately $282.1 million and $318.0 million at June 28, 2006 and June 29, 2005, respectively. The fair value of all other financial instruments approximates the carrying amounts reported in the consolidated balance sheets. Cash equivalents, short-term investments and accounts receivable approximate their carrying amounts due to the short duration of those items. Long-term debt (other than the Notes) is based on the amount of future cash flows discounted using our expected borrowing rate for debt of comparable risk and maturity.

Our use of derivative instruments is primarily related to interest rate swaps, which are entered into with the intent of hedging exposures to changes in value of certain fixed-rate lease obligations. We record 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 lease obligations are recorded as adjustments to restaurant expenses. Cash flows related to derivative transactions are included in operating activities. See Note 8 for additional discussion of 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.

We evaluate 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) Operating Leases

Rent expense for leases that contain scheduled rent increases is recognized on a straight-line basis over the lease term, including cancelable option periods where failure to exercise such options would result in an economic penalty such that the renewal appears reasonably assured. The straight-line rent calculation includes the rent holiday period, which is the period of time between taking control of a leased site and the rent commencement date. The portion of straight-line rent allocated to the construction period was capitalized and amortized to depreciation and amortization expense over the useful life of the related assets prior to our adoption of FASB Staff Position 13-1, "Accounting for Rental Costs Incurred During a Construction Period." Beginning December 29, 2005, straight-line rent incurred during the construction period is included in rent expense.

Contingent rents are generally amounts due as a result of sales in excess of amounts stipulated in certain restaurant leases and are included in rent expense as they are incurred. Landlord contributions are recorded when received as a deferred rent liability and amortized as a reduction of rent expense on a straight-line basis over the lease term.

(g) Capitalized Interest

Interest costs capitalized during the construction period of restaurants were approximately $5.0 million, $3.8 million, and $3.4 million during fiscal 2006, 2005, and 2004, respectively.

(h) Advertising

Advertising costs are generally expensed as incurred. Advertising costs were $146.1 million, $123.7 million, and $148.9 million in fiscal 2006, 2005, and 2004, respectively, and are included in restaurant expenses in the consolidated statements of income.

(i) Goodwill

Goodwill represents the residual purchase price after allocation to all other identifiable net assets acquired. Goodwill is not subject to amortization but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," requires a two-step process for testing impairment of goodwill. 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 is measured as the excess of its carrying value over its implied fair value. See Note 4 for additional disclosures related to goodwill.

(j) Sales Taxes

Sales taxes collected from customers are excluded from revenues. The obligation is included in accrued liabilities until the taxes are remitted to the appropriate taxing authorities.

(k) Self-Insurance Program

We utilize a paid loss self-insurance plan for health, general liability and workers' compensation coverage. Predetermined loss limits have been arranged with insurance companies to limit our per occurrence cash outlay. Accrued expenses and other liabilities include the estimated incurred but unreported costs to settle unpaid claims and estimated future claims.

(l) 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.

(m) Stock-Based Compensation

Prior to fiscal 2006, we accounted for 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 adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Under APB 25, no stock-based compensation cost was reflected in net income for grants of stock options prior to fiscal 2006 because we grant stock options with an exercise price equal to the market value of the stock on the date of grant.

Effective June 30, 2005, we adopted SFAS No. 123 (Revised 2004), "Share-Based Payment," ("SFAS 123R"), which requires the measurement and recognition of compensation cost at fair value for all share-based payments, including stock options. Stock-based compensation for fiscal 2006 includes compensation expense, recognized over the applicable vesting periods, for new share-based awards and for share-based awards granted prior to, but not yet vested, as of June 29, 2005. Stock-based compensation totaled approximately $32.2 million, $2.1 million and $2.7 million for fiscal 2006, 2005 and 2004, respectively. The total income tax benefit recognized in the consolidated statements of income related to stock-based compensation was approximately $7.7 million, $744,000 and $946,000 during fiscal 2006, 2005 and 2004, respectively.

Under APB 25, pro-forma expense for stock options was calculated using a graded-vesting schedule over the applicable vesting period, which generally ranged from 2 to 4 years. Upon adoption of SFAS 123R, we record compensation expense using a graded-vesting schedule over the vesting period, or to the date on which retirement eligibility is achieved, if shorter (non-substantive vesting period approach). Had we used the fair value based accounting method for stock-based compensation prescribed by SFAS No. 123, our net income and earnings per share for fiscal 2005 and 2004 would have been reduced to the pro-forma amounts illustrated as follows (in thousands, except per share amounts):

	2005	2004
Net income—as reported	$ 160,219	$ 150,918
Add: Reported stock-based compensation expense, net of taxes	1,383	1,756
Deduct: Fair value based compensation expense, net of taxes(a)	(16,700)	(18,663)
Net income—pro forma(a)	$ 144,902	$ 134,011
Earnings per share:		
Basic—as reported	$ 1.81	$ 1.57
Basic—pro forma(a)	$ 1.64	$ 1.39
Diluted—as reported	$ 1.73	$ 1.48
Diluted—pro forma(a)	$ 1.57	$ 1.31

(a) If pro-forma expense had been derived using the non-substantive vesting period approach, total stock-based compensation (net of taxes) for fiscal 2005 and fiscal 2004 would have been $15.2 million and $18.5 million, respectively. Pro-forma net income for fiscal 2005 and fiscal 2004 would have been $146.4 million and $134.2 million, respectively. Additionally, basic pro-forma earnings per share for fiscal 2005 and fiscal 2004 would have been $1.65 and $1.40, respectively. Diluted pro-forma earnings per share for fiscal 2005 and fiscal 2004 would have been $1.59 and $1.32, respectively.

The weighted average fair values of option grants were $11.47, $11.48, and $11.38 during fiscal 2006, 2005, and 2004, respectively.

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

	2006	2005	2004
Expected volatility	28.8%	31.2%	33.0%
Risk-free interest rate	4.2%	3.4%	3.4%
Expected lives	5 years	5 years	5 years
Dividend yield	1.0%	0.0%	0.0%

Expected volatility and the expected life of stock options are based on historical experience. The risk-free rate is based on the yield of a five-year Treasury Note.

Certain employees are eligible to receive performance shares, restricted stock and restricted stock units, while non-employee members of the Board of Directors are eligible to receive restricted stock and restricted stock units. Performance shares represent a right to receive shares of common stock upon satisfaction of performance goals or other specified metrics at the end of a three-year cycle. Performance shares are paid out in common stock and will be fully vested upon issuance. The fair value of performance shares is determined on the date of grant based on a Monte Carlo simulation model. The fair value of restricted stock and restricted stock units is based on our closing stock price on the date of grant.

(n) Preferred Stock

Our Board of Directors is authorized to provide for the issuance of 1.0 million 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 28, 2006, no preferred shares were issued.

(o) 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 2006, 2005 and 2004 comprehensive income consists of net income and the unrealized portion of changes in the fair value of our investments in mutual funds.

(p) Net Income Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted net income per share, the basic weighted average number of shares is increased by the dilutive effect of stock options determined using the treasury stock method and convertible debt. We had approximately 590,000 stock options outstanding at June 28, 2006 and 700,000 stock options outstanding at June 29, 2005 and June 30, 2004 that were not included in the dilutive earnings per share calculation because the effect would have been antidilutive. The components of basic and diluted earnings per share are as follows (in thousands, except per share amounts):

	2006	2005	2004
Income from continuing operations(w)	$ 213,950	$ 158,456	$ 152,183
Adjustment for interest on convertible debt, net of tax	—	2,650	5,023
Income from continuing operations—as adjusted(x)	$ 213,950	$ 161,106	$ 157,206
Basic weighted average shares outstanding(y)	85,844	88,530	96,072
Dilutive effect of stock options	1,445	1,267	1,867
Dilutive effect of convertible debt	—	4,432	7,800
Diluted weighted average shares outstanding(z)	87,289	94,229	105,739
Basic earnings per share from continuing operations(w)/(y)	$ 2.49	$ 1.79	$ 1.58
Diluted earnings per share from continuing operations(x)/(z)	$ 2.45	$ 1.71	$ 1.49

(q) 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. We identify operating segments based on management responsibility and believe we meet the criteria for aggregating operating segments into a single reporting segment.

(r) 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. DISPOSITION OF CORNER BAKERY

In September 2005, we entered into an agreement to sell Corner Bakery. The decision to sell the brand was a result of our continued focus on maximizing returns on investment. The sale of the brand was completed in February 2006. We have reported the results of operations of Corner Bakery as discontinued operations which consist of the following (in thousands):

	2006	2005	2004
Revenues	$ 108,932	$ 163,311	$ 166,481
Income (loss) before income tax (expense) benefit from discontinued operations	$ 13,061	$ 2,814	$ (2,039)
Income tax (expense) benefit	(4,911)	(1,051)	774
Net income (loss) from discontinued operations	8,150	1,763	(1,265)
Loss on sale of Corner Bakery, net of taxes(a)	(9,705)	—	—
(Loss) income from discontinued operations	$ (1,555)	$ 1,763	$ (1,265)

(a) The sale of Corner Bakery resulted in a taxable gain due to $11.0 million of goodwill not being deductible for tax purposes. The $9.7 million loss includes tax expense totaling $784,000.

3. RESTRUCTURE CHARGES AND OTHER IMPAIRMENTS

(a) Fiscal 2006

Restructure charges and other impairments recorded during fiscal 2006 consist of $3.1 million in net charges associated with closed restaurants and asset impairments and a $1.1 million gain related to the final disposition of our interest in Rockfish.

(b) Fiscal 2005

A $36.4 million impairment charge was recorded primarily as a result of the decision to sell nine Big Bowl restaurants and to close the remaining five restaurants (the sale was finalized in February 2005). The decision to dispose of Big Bowl was the result of research and testing of the brand's competitive positioning. The charge consists of goodwill totaling $21.6 million, long-lived asset impairments totaling $9.6 million, lease obligation charges totaling $3.8 million, and the write-off of inventory and other supplies totaling $1.4 million.

A $16.9 million charge was recorded to fully impair the investment and notes receivable associated with Rockfish as a result of declines in operating performance and lower forecasted earnings.

A $12.6 million impairment charge was recorded primarily as a result of the decision to close one Corner Bakery commissary and fifteen restaurants, including ten Chili's, three Macaroni Grill, and two On The Border restaurants. Approximately $1.5 million of the charge related to the Corner Bakery commissary and is now included in discontinued operations. The decision to close the restaurants was the result of an analysis that examined restaurants not meeting minimum return on investment thresholds and certain other operating performance criteria. The $12.6 million charge consists of long-lived asset impairments totaling $9.1 million, lease obligation charges totaling $2.2 million, and the write-off of inventory and other supplies totaling $1.3 million. The remaining carrying values of the long-lived assets associated with the closed stores totaled approximately $7.7 million and $9.7 million at June 28, 2006 and June 29, 2005, respectively. The fair value of the long-lived assets were primarily based on estimates from third party real estate brokers who examined comparable property sales values in the respective markets in

which the restaurants operate. In addition, we made lease payments related to the closed stores totaling $1.6 million during fiscal 2006, reducing the lease obligation included in accrued liabilities to approximately $600,000 at June 28, 2006.

Additionally, we recorded a $2.5 million gain related to the thirty restaurants closed during fiscal 2004, consisting primarily of increases in the estimated sales value of previously impaired owned units.

(c) Fiscal 2004

A $39.5 million charge was recorded as a result of the decision to close thirty restaurants, including six Chili's, five Macaroni Grill, six On The Border, six Corner Bakery, and seven Big Bowl restaurants. Approximately $5.0 million of the charge is related to the six Corner Bakery restaurants and is now included in discontinued operations. The $39.5 million charge consists of long-lived asset impairments totaling $31.2 million, lease obligation charges totaling $6.2 million, and the write-off of inventory and other supplies totaling $2.1 million. The remaining carrying values of the long-lived assets associated with the closed stores totaled approximately $1.4 million and $4.6 million at June 28, 2006 and June 29, 2005, respectively. The fair value of the long-lived assets were primarily based on estimates from third party real estate brokers who examined comparable property sales values in the respective markets in which the restaurants operate. In addition, we made lease payments related to the closed stores totaling $1.7 million, $3.3 million, and $800,000 during fiscal 2006, 2005, and 2004, respectively, reducing the lease obligation included in accrued liabilities to $415,000 and $2.1 million at June 28, 2006 and June 29, 2005, respectively.

As a result of the seven Big Bowl closings and a review of the brand's competitive positioning and future development plans, the earnings forecast was revised and we recorded a goodwill impairment charge of $27.0 million. The fair value of Big Bowl was estimated using the present value of expected future cash flows.

Additionally, we recorded a $7.7 million charge as a result of the final disposition of the Cozymel's Coastal Grill ("Cozymel's") restaurants.

4. GOODWILL

The changes in the carrying amount of goodwill for the fiscal years ended June 28, 2006 and June 29, 2005 are as follows (in thousands):

	2006	2005
Balance at beginning of year	$ 124,749	$ 147,063
Goodwill arising from acquisitions	20,958	—
Impairment of goodwill (see Note 3)	—	(21,620)
Other	(228)	(694)
Balance at end of year	$ 145,479	$ 124,749

5. ACCRUED AND OTHER LIABILITIES

Accrued liabilities consist of the following (in thousands):

	2006	2005
Payroll	$ 117,940	$ 89,659
Gift cards	66,600	53,597
Sales tax	29,158	28,041
Insurance	29,021	25,044
Property tax	28,140	22,661
Other	43,650	42,922
	$ 314,509	$ 261,924

Other liabilities consist of the following (in thousands):

	2006	2005
Straight-line rent	$ 65,457	$ 55,470

Insurance	31,565	27,777
Savings plan (see Note 11)	6,396	36,841
Other	37,623	43,096
	$ 141,041	$ 163,184

6. INCOME TAXES

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

	2006	2005	2004
Current income tax expense:			
Federal	$ 98,267	$ 32,264	$ 66,625
State	12,170	9,829	13,011
Foreign	1,391	1,184	1,098
Total current income tax expense	111,828	43,277	80,734
Deferred income tax (benefit) expense:			
Federal	(18,638)	(8,912)	1,896
State	(1,742)	(1,222)	252
Total deferred income tax (benefit) expense	(20,380)	(10,134)	2,148
	$ 91,448	$ 33,143	$ 82,882

A reconciliation between the reported provision for income taxes from continuing operations 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):

	2006	2005	2004
Income tax expense at statutory rate	$ 106,889	$ 67,060	$ 82,273
FICA tax credit	(22,774)	(30,032)	(17,506)
State income taxes, net of Federal benefit	6,778	5,594	8,621
Goodwill impairment	—	(9,450)	9,450
Stock-based compensation	4,077	—	—
Other	(3,522)	(29)	44
	$ 91,448	$ 33,143	$ 82,882

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities as of June 28, 2006 and June 29, 2005 are as follows (in thousands):

	2006	2005
Deferred income tax assets:		
Leasing transactions	$ 24,386	$ 16,980
Stock-based compensation	6,501	1,287
Insurance reserves	6,003	7,548
Restructuring charges and other impairments	2,139	8,081
Employee benefit plans	1,295	10,624
Other, net	27,795	31,200
Total deferred income tax assets	68,119	75,720
Deferred income tax liabilities:		
Depreciation and capitalized interest on property and equipment	14,967	47,360
Prepaid expenses	20,124	19,711
Goodwill and other amortization	14,497	11,887
Captive insurance	6,823	10,946
Other, net	10,086	20,049
Total deferred income tax liabilities	66,497	109,953
Net deferred income tax asset (liability)	$ 1,622	$ (34,233)

7. DEBT

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

	2006	2005
5.75% notes	$ 298,755	$ 298,598
Credit facilities	143,200	62,900
Capital lease obligations (see Note 9)	49,833	35,022
Mortgage loan obligations	10,924	11,790
	502,712	408,310
Less current installments	(2,197)	(1,805)
	$ 500,515	$ 406,505

In May 2004, we issued $300.0 million of 5.75% notes and received proceeds totaling approximately $298.4 million prior to debt issuance costs. The Notes require semi-annual interest payments and mature in June 2014.

We have credit facilities aggregating $450.0 million at June 28, 2006. A revolving credit facility of $300.0 million bears interest at LIBOR plus 0.625% (5.98% as of June 28, 2006) with a maximum rate of LIBOR plus 1.5% and expires in October 2009. At June 28, 2006, $30.0 million was outstanding under this facility. The remaining credit facility is an uncommitted obligation giving the lender the option not to extend funding and bears interest based upon a negotiated rate (federal funds rate plus 0.3% or 5.35% as of June 28, 2006). At June 28, 2006, $113.2 million was outstanding under the uncommitted facility. Unused credit facilities available to us totaled $306.8 million at June 28, 2006. Obligations under our credit facilities, which require short-term repayments, have been classified as long-term debt, reflecting our intent and ability to refinance these borrowings through the existing credit facilities.

The mortgage loan obligations require monthly principal and interest payments, mature on various dates through March 2020, and bear interest at rates ranging from 9.00% to 10.75% per year. The obligations are collateralized by the underlying restaurant properties.

In October 2001, we issued $431.7 million of zero coupon convertible senior debentures (the "Debentures"), maturing on October 10, 2021, and received proceeds totaling approximately $250.0 million prior to debt issuance costs. The Debentures required no interest payments and were issued at a discount representing a yield to maturity of 2.75% per annum. The Debentures became redeemable at our option on October 10, 2004. On December 22, 2004, we exercised our right to redeem all of the Debentures. Holders had the option to convert the Debentures into shares of common stock or cash until the close of business on January 20, 2005. Holders chose to convert a total of $10.8 million of the accreted debenture value into 308,092 shares of common stock and the remaining accreted debenture value of $262.7 million was redeemed for cash on January 24, 2005.

Our debt agreements contain various financial covenants that, among other things, require the maintenance of certain leverage and fixed charge coverage ratios. We are currently in compliance with all financial covenants.

Excluding capital lease obligations (see Note 9), our long-term debt maturities for the five years following June 28, 2006 are as follows (in thousands):

Fiscal Year	
2007	$ 113,832
2008	531
2009	576
2010	624
2011	30,677
Thereafter	306,639
	$ 452,879

8. DERIVATIVE FINANCIAL INSTRUMENTS

We entered into three interest rate swaps in December 2001 with a total notional value of $112.2 million at June 28, 2006. 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), we pay monthly a variable rate based on 30-Day LIBOR (5.35% at June 28, 2006) plus 1.26%. We receive monthly the fixed interest rate of 7.156% on the lease. The estimated fair values of these agreements at June 28, 2006 and June 29, 2005 were assets of approximately $857,000 and $13.0 million, respectively.

9. LEASES

(a) Capital Leases

We lease certain buildings under capital leases. The asset values of $32.6 million and $27.5 million at June 28, 2006 and June 29, 2005, respectively, and the related accumulated amortization of $5.6 million and $10.6 million at June 28, 2006 and June 29, 2005, respectively, are included in property and equipment. Amortization of assets under capital leases is included in depreciation and amortization expense.

(b) Operating Leases

We lease 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 our option and, in some cases, have provisions for contingent rent based upon a percentage of sales in excess of specified levels, as defined in the leases. Rent expense for fiscal 2006, 2005, and 2004 was $138.8 million, $119.2 million, and $110.3 million, respectively. Contingent rent included in rent expense for fiscal 2006, 2005, and 2004 was $12.7 million, $11.6 million, and $11.0 million, respectively.

(c) Commitments

As of June 28, 2006, future minimum lease payments on capital and operating leases were as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases
2007	$ 4,771	$ 113,137
2008	4,859	108,120
2009	4,948	101,593
2010	5,040	93,378
2011	5,134	84,382
Thereafter	55,062	389,625
Total minimum lease payments	79,814	$ 890,235
Imputed interest (average rate of 7%)	(29,981)	
Present value of minimum lease payments	49,833	
Less current installments	(1,565)	

	$ 48,268

As of June 28, 2006, we 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-BASED COMPENSATION

In October 2005, our shareholders approved the Performance Share Plan, the Restricted Stock Unit Plan, and amendments to the 1998 Stock Option and Incentive Plan and the 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants (collectively, the "Plans"), authorizing the issuance of up to 22.2 million shares of our common stock to employees and non-employee directors and consultants. The Plans provide for grants of options to purchase our common stock, restricted stock, restricted stock units, performance shares and stock appreciation rights.

(a) Stock Options

Expense related to stock options issued to eligible employees under the Plans is recognized using a graded-vesting schedule over the vesting period. For options granted after the adoption of SFAS 123R on June 30, 2005, expense is recognized to the date on which retirement eligibility is achieved, if shorter than the vesting period. Stock options generally vest over a period of 1 to 4 years and have contractual terms to exercise of 8 to 10 years.

Transactions during fiscal 2006 were as follows (in thousands, except option prices):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding at June 29, 2005	9,177	$ 29.93		
Granted	503	38.61		
Exercised	(1,844)	27.86		
Forfeited	(762)	33.03		
Options outstanding at June 28, 2006	7,074	$ 30.75	6.68	$ 32,951
Options exercisable at June 28, 2006	3,445	$ 27.16	5.38	$ 28,420

At June 28, 2006, unrecognized compensation expense related to stock options totaled approximately $11.9 million and will be recognized over a weighted average period of 1.7 years. The intrinsic value of options exercised totaled approximately $23.3 million, $44.5 million and $28.6 million during fiscal 2006, 2005 and 2004, respectively.

(b) Restricted Share Awards

Restricted share awards consist of performance shares, restricted stock and restricted stock units. Expense related to performance shares and restricted stock units issued to eligible employees under the Plans is recognized ratably over the three-year vesting period, or to the date on which retirement eligibility is achieved, if shorter. Restricted stock and restricted stock units issued to eligible employees under our long-term incentive plans vest one-third per year beginning on the first or third anniversary of the date of grant. Restricted stock and restricted stock units issued to non-employee directors under the Plans vest in full on the fourth anniversary of the date of grant.

Transactions during fiscal 2006 were as follows (in thousands, except fair values):

	Number of Restricted Share Awards	Weighted Average Fair Value Per Award
Restricted share awards outstanding at June 29, 2005	137	$ 34.60
Granted	1,007	35.10
Vested	(77)	34.35
Forfeited	(109)	35.78
Restricted share awards outstanding at June 28, 2006	958	$ 35.01

At June 28, 2006, unrecognized compensation expense related to restricted share awards totaled approximately $20.4 million and will be recognized over a weighted average period of 2.9 years.

11. SAVINGS PLANS

We sponsor a qualified defined contribution retirement plan ("Plan I") covering all employees who have attained the age of twenty-one and have completed one year and 1,000 hours of service. Plan I allows eligible employees to contribute, subject to IRS 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. We match in cash at a rate of 100% of the first 3% an employee contributes and 50% of the next 2% the employee contributes with immediate vesting. In fiscal 2006, 2005, and 2004, we contributed approximately $3.5 million, $940,000, and $797,000, respectively.

In October 2004, Congress enacted the American Jobs Creation Act of 2004 which added section 409A to the Internal Revenue Code and changed the tax rules governing non-qualified deferred compensation plans. After evaluating the new tax rules, effective January 1, 2005, we froze our existing non-

qualified defined contribution plan ("Plan II"), closing it to future contributions. Existing participants in Plan II became fully vested in their company contributions due to these plan changes. In October 2005, Plan II was partially terminated resulting in a distribution of approximately $31.8 million to participants. In fiscal 2005 and 2004, we contributed approximately $456,000 and $799,000, respectively. On January 1, 2006, all remaining Plan II balances became part of the Brinker International Deferred Income Plan ("Deferred Plan") which, when finalized after the issuance of final regulations under 409A, will amend and completely restate Plan II. The Deferred Plan is a non-qualified defined contribution plan covering a select group of highly compensated employees, as defined in the plan. Eligible employees are allowed to defer receipt of up to 50% of their base compensation, as defined in the plan. There is no company match, but employee contributions earn interest based on a rate determined and announced in November prior to the start of the plan year. Employee contributions and earnings thereon vest immediately. At the inception of Plan II, we established a Rabbi Trust to fund Plan II obligations. The trust continues to be used to fund obligations of the Deferred Plan. The market value of the trust assets is included in other assets and the liability to plan participants is included in other liabilities.

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2006	2005	2004
Income taxes, net of refunds	$ 115,877	$ 46,080	$ 40,677
Interest, net of amounts capitalized	22,319	22,460	3,977

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

	2006	2005	2004
Retirement of fully depreciated assets	$ 49,488	$ 20,515	$ 14,235
Capitalized straight-line rent	3,372	5,748	3,376
Net (decrease) increase in fair value of interest rate swaps	(12,101)	4,597	(15,523)
Restricted share awards issued, net of forfeitures	9,803	1,361	2,374
Conversion of debt into common stock	—	10,796	—
Issuance of notes for sale of Cozymel's	—	—	14,455

In fiscal 2006, we purchased certain assets and assumed certain liabilities in connection with the acquisition of restaurants. The fair values of the assets and liabilities recorded at the date of acquisition are as follows (in thousands):

Property and equipment	$ 14,617
Goodwill	20,958
Other assets	4,732
Capital lease obligations	(16,123)
Other liabilities	(1,089)
Net cash paid	$ 23,095

The assets acquired and liabilities assumed are recorded at fair values as determined by management based upon information available. We will finalize the allocation between goodwill and reacquired franchise rights (included in other assets) once information sufficient to complete the allocation is obtained.

13. CONTINGENCIES

As of June 28, 2006, we guaranteed lease payments totaling $86.0 million as a result of the sale of certain brands and the sale of restaurants to franchisees. This amount represents the maximum potential liability of future payments under the guarantees. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from fiscal 2007 through fiscal 2017. We remain secondarily liable for the leases; however, no liability has been recorded as the likelihood of the buyers defaulting on the leases is considered negligible.

Certain current and former hourly restaurant employees filed a lawsuit against us in California Superior Court alleging violations of California labor laws with respect to meal and rest breaks. The lawsuit seeks penalties and attorney's fees and was certified as a class action in July 2006. Discovery is under way and we intend to vigorously defend our position. It is not possible at this time to reasonably estimate the possible loss or range of loss, if any.

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

We are engaged in various other legal proceedings and have certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, management, 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 our consolidated financial condition or results of operations.

14. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table summarizes the unaudited consolidated quarterly results of operations for fiscal 2006 and 2005 (in thousands, except per share amounts):

	Fiscal Year 2006 Quarters Ended			
	Sept. 28	Dec. 28	March 29	June 28
Revenues	$ 975,896	$ 1,009,083	$ 1,092,790	$ 1,073,522
Income before provision for income taxes	$ 57,747	$ 59,648	$ 91,381	$ 96,622
Income from continuing operations	$ 38,442	$ 39,370	$ 63,131	$ 73,007
Basic earnings per share from continuing operations	$ 0.44	$ 0.46	$ 0.74	$ 0.87
Diluted earnings per share from continuing operations	$ 0.43	$ 0.45	$ 0.73	$ 0.85
Basic weighted average shares outstanding	87,807	85,980	85,245	84,347
Diluted weighted average shares outstanding	89,233	87,618	86,788	85,568

	Fiscal Year 2005 Quarters Ended			
	Sept. 29	Dec. 29	March 30	June 29
Revenues	$ 870,965	$ 909,721	$ 970,452	$ 998,401
Income before provision for income taxes	$ 10,608	$ 43,328	$ 80,949	$ 56,714
Income from continuing operations	$ 15,676	$ 40,820	$ 54,903	$ 47,057
Basic earnings per share from continuing operations	$ 0.17	$ 0.47	$ 0.62	$ 0.53
Diluted net income per share from continuing operations	$ 0.17	$ 0.44	$ 0.60	$ 0.52
Basic weighted average shares outstanding	89,761	87,505	88,109	88,746
Diluted weighted average shares outstanding	98,730	96,471	91,769	90,062

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Brinker International, Inc.:

We have audited the accompanying consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 28, 2006 and June 29, 2005, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 28, 2006. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 28, 2006 and June 29, 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended June 28, 2006 in conformity with U. S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of June 28, 2006 based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 15, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

As discussed in Note 1 of the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" in fiscal year 2006.

KPMG LLP

Dallas, Texas
August 15, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Brinker International, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Brinker International, Inc. and subsidiaries maintained effective internal control over financial reporting as of June 28, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Brinker International, Inc. and subsidiaries maintained effective internal control over financial reporting as of June 28, 2006, is fairly stated, in all material respects, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Brinker International, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 28, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 28, 2006 and June 29, 2005, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 28, 2006, and our report dated August 15, 2006 expressed an unqualified opinion on those consolidated financial statements, with an explanatory paragraph as the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" in fiscal year 2006.

KPMG LLP

Dallas, Texas
August 15, 2006

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the reliability of the consolidated financial statements and related notes, which have been prepared in conformity with U. S. generally accepted accounting principles and include amounts based upon our estimates and judgments, as required. The consolidated financial statements have been audited and reported on by our independent registered public accounting firm, 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.

We maintain a system of internal controls over financial reporting designed to provide reasonable assurance of the reliability of the consolidated financial statements. Our 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 28, 2006 provide reasonable assurance that the consolidated financial statements are reliable.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. We have assessed the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we concluded that our internal control over financial reporting was effective as of June 28, 2006.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our management's assessment of the effectiveness of our internal control over financial reporting as of June 28, 2006 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its report which is included herein.

/s/ DOUGLAS H. BROOKS

DOUGLAS H. BROOKS
President and Chief Executive Officer

/s/ CHARLES M. SONSTEBY

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, and Maggiano's Little Italy.

BRINKER RESTAURANT CORPORATION, a Delaware corporation
MAGGIANO'S, 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 BEVERAGE COMPANY, a Texas corporation
MAGGIANO'S HOLDING CORPORATION, a Delaware corporation
MAGGIANO'S, 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 liability company
BRINKER OF CHARLES COUNTY, INC., a Maryland corporation
BRINKER OF CECIL COUNTY, INC., a Maryland corporation
BRINKER MICHIGAN, INC., a Delaware corporation
BRINKER UK LIMITED, a United Kingdom private limited partnership

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

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, 333-42224, 333-105720, and 333-125289 on Form S-8, 333-74902 on Form S-3 and 333-116879 on Form S-4 of Brinker International, Inc. of our report dated August 15, 2006, with respect to the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 28, 2006 and June 29, 2005, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 28, 2006, management's assessment of the effectiveness of internal control over financial reporting as of June 28, 2006 and the effectiveness of internal control over financial reporting as of June 28, 2006, which reports appear in the Brinker International, Inc. 2006 Annual Report to Shareholders', which is incorporated by reference in this Annual Report on Form 10-K of Brinker International, Inc.

KPMG LLP

Dallas, Texas
August 22, 2006

Exhibit 31(a)

CERTIFICATION

I, Douglas H. Brooks, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;

   c. 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

   d. 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: August 23, 2006

/s/ DOUGLAS H. BROOKS

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

Exhibit 31(b)

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;

   c. 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

   d. 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: August 23, 2006

/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 28, 2006 (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: August 23, 2006

By: /s/ DOUGLAS H. BROOKS
Name: Douglas H. Brooks
Title: *Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)*

Exhibit 32(b)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended June 28, 2006 (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: August 23, 2006

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