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 27, 2012 **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 ☒ No ☐

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 ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Indicate by check mark 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. ☐

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	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

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. $1,951,880,856.

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 13, 2012
Common Stock, $0.10 par value	73,925,390 shares

DOCUMENTS INCORPORATED BY REFERENCE

We have incorporated portions of our Annual Report to Shareholders for the fiscal year ended June 27, 2012 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 8, 2012, to be dated on or about September 18, 2012, 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”) and Maggiano’s Little Italy (“Maggiano’s”) 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 acquisition of Maggiano’s in August 1995. We sold Romano’s Macaroni Grill to Mac Acquisition LLC, an affiliate of San Francisco-based Golden Gate Capital, in December 2008 and currently hold a 15.6% ownership interest in the new entity.

Restaurant Brands

Chili’s Grill & Bar

Chili’s, a recognized leader in the Bar & Grill category of casual dining, has been operating restaurants for 37 years. Chili’s also enjoys a global presence with locations in 31 foreign countries and two U.S. territories around the world. Consistent in all locations, whether domestic or international and company-owned or franchised, Chili’s passion is making our guests feel special. Our Team Members, referred to as ChiliHeads, take special pride in serving America’s Favorites…Like No Place Else.

Chili’s varied menu features America’s favorites boldly flavored and freshly prepared, including several signature items such as Baby Back Ribs smoked in-house, Big Mouth Burgers, Sizzling Fajitas, hand-battered Chicken Crispers and house-made Chips and Salsa. The all-day menu offers our guests a generous selection of appetizers, entrees and desserts at affordable prices. A special lunch section is available on weekdays. In addition to our flavorful food, Chili’s offers a full selection of alcoholic beverages available from the bar, with Margaritas and draft beer being favorites of our guests. For guests seeking convenience, Chili’s offers To Go service that can be ordered by calling the restaurant or on-line or via mobile app, and most Chili’s offer a separate To Go entrance for service.

During the year ending June 27, 2012, at our company-owned restaurants, entrée selections ranged in menu price from $6.00 to $17.69. The average revenue per meal, including alcoholic beverages, was approximately $13.66 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 86.0% of Chili’s total restaurant revenues, with alcoholic beverage sales accounting for the remaining 14.0%. Our average annual sales volume per Chili’s restaurant during this same year was $3.0 million.

Maggiano’s Little Italy

Maggiano’s is a full-service, national, casual dining Italian restaurant brand with a passion for making people feel special. The exterior of each Maggiano’s restaurant varies to reflect local architecture; however, the interior of all locations transport our guests back to a classic Italian-American restaurant in the style of New York’s Little Italy in the 1940s. Our Maggiano’s restaurants feature individual and family-style menus, and our restaurants also have extensive banquet facilities designed to host large party business or social events. We have a full lunch and dinner menu offering chef-prepared, classic Italian-American fare in the form of appetizers,
entrées with bountiful portions of pasta, chicken, seafood, veal and prime steaks, and desserts. Our Maggiano’s restaurants also offer a full range of alcoholic beverages, including a selection of premium wines. In addition, Maggiano’s offers a full carryout menu as well as local delivery services.

During the year ending June 27, 2012, entrée selections ranged in menu price from $12.95 to $39.95. The average revenue per meal, including alcoholic beverages, was approximately $26.10 per person. During this same year, food and non-alcoholic beverage sales constituted approximately 82.9% of Maggiano's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 17.1%. Sales from events at our banquet facilities made up 19.6% of our total restaurant revenues for the year. Our average annual sales volume per Maggiano's restaurant during this same year was $8.75 million.

Business Strategy

We are committed to strategies and initiatives that are centered on long-term sales and profit growth, enhancing the guest experience and team member engagement. These strategies are intended to differentiate our brands from the competition, reduce the costs associated with managing our restaurants allowing us to reinvest back into the guest experience and value proposition, and establish a strong presence for our brands in key markets around the world. We will continue to maintain a strong balance sheet and financial flexibility to support our strategic initiatives and to provide stability in all operating environments.

Economic growth continues to be tepid providing a challenging operating environment for the casual dining industry as a whole. Growth in key economic factors such as total employment, consumer confidence and personal disposable income levels have been lethargic this year. More recently, the political environment, continued soaring governmental deficits, and weak employment in the United States as well as fiscal concerns and civil and political unrest abroad have adversely impacted consumer confidence. In addition, the potential for near term commodity price increases may negatively impact the industry. We anticipate that market conditions will continue to affect our business and consumers will remain cautious as the economy slowly rebounds. We will continue to maintain a strong balance sheet and maintain our ability to provide results in all operating environments.

Our current initiatives are designed to drive profitable sales growth and improve the guest experience in our restaurants. We have implemented a team service model at Chili's which has resulted in labor efficiencies and positive guest feedback. Additional labor savings were achieved through improved food preparation procedures, a component of our kitchen retrofit initiative which was implemented last year. Another component of this initiative currently in rollout and implementation is the modification of our kitchens to include improved technology and equipment to provide a more consistent, high quality product at a faster pace, while generating significant labor cost savings. We are also implementing new restaurant information systems which we anticipate will increase profits through increased kitchen efficiency and better inventory control. Both of these initiatives will be completed for all company-owned Chili's restaurants in fiscal 2013. In addition to executing these operational strategies, we have repurchased shares of our common stock in order to return value to our shareholders and executed a revision to our credit facility to increase our financial flexibility while taking advantage of more favorable interest rates. We believe that the successful implementation of these operational and financial initiatives will help continue to drive sales growth and operational efficiency while strengthening our competitive advantage and enhancing shareholder value.

In addition to these cost savings initiatives, we are also driving strategic initiatives that will further enhance guest traffic and sales. We continually evaluate our menu at Chili's to improve quality, freshness and value by introducing new items and improving existing favorites. We reconfigured the lighter choices section of our menu by adding new items that are available at both lunch and dinner. We have refined our value offerings in both dayparts, including the addition of new items to our lunch combo platform to improve pace of service. Additionally, we have recently enhanced our steak selections, resulting in higher guest preference in this section of our menu. We believe these changes will further enhance sales and drive incremental traffic. We will continue to utilize value offerings as a tool to drive incremental sales; however, this is only one aspect of our overall sales strategy. We are committed to offering a compelling everyday menu that provides items our guests prefer at a compelling value. We remodeled a significant number of company-owned restaurants in fiscal 2012 and will continue the remodeling into fiscal 2013, revitalizing Chili's in a way which enhance the brand and raises guest expectations regarding the quality of the experience. Improvements at Chili's are expected to have the most significant impact on the business; however, our results are also expected to benefit through additional contributions from Maggiano's and our global business. Maggiano's sales trends and traffic continue to improve, driven by offering guests a great value with classic pasta, the new Marco's Meal offering, new menu items and direct marketing. Additionally, Maggiano's has implemented initiatives around kitchen efficiency and inventory control contributing to increased financial results. We believe our unique food and signature drinks, improved service and updated atmospheres will result in stronger brands and sustainable sales and profit growth through increased guest loyalty and traffic.

Global expansion allows further diversification which is intended to enable us to build strength in a variety of markets and economic conditions. This expansion will come through franchise relationships, joint venture arrangements and equity investments, taking advantage of demographic and eating trends that will accelerate in the international market over the next decade. Our growing percentage of franchise operations, both domestically and internationally, enable us to improve margins as royalty payments impact the bottom line.

The casual dining industry is a competitive business which is sensitive to changes in economic conditions, trends in lifestyles and fluctuating costs. Our priority remains increasing profitable growth over time in all operating environments. We have designed both operational and financial strategies to achieve this goal and in our opinion, improve shareholder value. Success with our initiatives to improve sales trends and operational effectiveness will enhance the profitability of our restaurants and strengthen our competitive position. The effective execution of our financial strategies, including repurchasing shares of our common stock, payment of quarterly dividends, disciplined use of capital and efficient management of operating expenses, will further enhance our profitability and return value to our shareholders. We remain confident in the financial health of our company, the long-term prospects of the industry as well as our ability to perform effectively in a competitive marketplace and a variety of economic environments.

Company Development

In fulfilling our long-term vision, over the past fiscal year we have evaluated the expansion of our restaurant brands domestically through new company-owned restaurants and recommenced the development of a select number of company-owned restaurants in strategically desirable markets. We will 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 universities) that can adequately support our restaurant brands.

The restaurant site selection process is critical and we devote significant effort to the investigation of new locations utilizing a variety of sophisticated analytical techniques. Our 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 brand's executive team inspect, review and approve each restaurant site prior to its acquisition for that brand.

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 and hourly team members.

The following table illustrates the system-wide restaurants opened in fiscal 2012 and the planned openings in fiscal 2013:

	Fiscal 2012 Openings(1)	Fiscal 2013 Projected Openings
Chili's:		
Company-owned	—	—
Franchise(2)	6	5
Maggiano's	—	—
International:		
Company-owned(3)	—	—
Franchise(3)	29	30-35
Total	35	35-40

(1) The numbers in this column are the total of new restaurant openings and openings of relocated restaurants during fiscal 2012.
(2) The numbers on this line for fiscal 2013 are projected domestic franchise openings.
(3) The numbers on this line are for Chili's.

We periodically reevaluate company-owned restaurant sites to ensure that site 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. We closed five company-owned restaurants in fiscal 2012. We perform a comprehensive analysis that examines restaurants not performing at a required rate of return. These closed restaurants were generally performing below our standards or were 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.

Franchise Development

In addition to our development of company-owned restaurants, our restaurant brands will continue to expand through our franchisees and joint venture partners.

As part of our strategy to expand through our franchisees, our franchise operations (domestically and internationally) increased in fiscal 2012. The following table illustrates the percentages of franchise operations (versus total restaurants) as of June 27, 2012 for the Company and by restaurant brand, respectively:

	Percentage of Franchise Operated Restaurants	
	Domestic	International
Brinker	29%	16%
Chili's	30%	17%
Maggiano's	—	2%

Domestic

Domestic expansion is focused primarily through growth in our number of franchised restaurants. We are accomplishing this part of our growth through existing, new or renewed development obligations with new or existing franchisees. In addition, we have from time to time also sold and may sell company-owned restaurants to our franchisees (new or existing). At June 27, 2012, 12 total domestic development arrangements existed. 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.

Domestic expansion efforts continue to focus not only on major metropolitan areas in the United States but also on smaller market areas and non-traditional locations (such as airports, college campuses, toll plazas and food courts) that can adequately support our restaurant brands.

During the year ended June 27, 2012, our domestic franchisees opened 6 Chili's restaurants. Additionally, we purchased two Chili's restaurants from one of our franchisees in the Miami, Florida metropolitan area.

International

We continue our international growth through development agreements with new and existing franchisees and joint venture partners introducing the Chili's brand into new countries, as well as expanding them in existing countries. At June 27, 2012, we had 25 total development arrangements. During the fiscal year 2012, our international franchisees and joint venture partners opened 29 Chili's restaurants. In the same year, we entered into new or renewed development agreements with one franchisee for the development of 7 Chili's restaurants. The areas of development for these locations include all or portions of Costa Rica.

As we develop Chili's internationally, we will selectively pursue expansion through various means, including franchising and joint ventures. Similar to our domestic franchise agreements, a typical international franchise development agreement provides for payment of development fees and franchise fees in addition to subsequent royalty 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-brand operations.

Restaurant Management

Our Chili's and Maggiano's brands have separate designated teams that support each brand for operations, finance, franchise, marketing, peopleworks and culinary. We believe these strategic, brand-focused teams foster the identities of the individual and uniquely positioned brands. To maximize efficiencies, brands continue to utilize common and shared infrastructure, including, among other services, accounting, information technology, purchasing, legal and restaurant development.

At the restaurant level, management structure varies by brand. A typical restaurant is led by a management team including a general manager, two to six additional managers, and for Maggiano's, an additional three to four chefs. The level of restaurant supervision depends upon the operating complexity and sales volume of individual locations.

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 experience 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 key team members.

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. Each brand is responsible for maintaining their operational training program. The training program typically includes a two-to four-month training period for restaurant management trainees. We also provide reoccurring management training for managers and supervisors to improve effectiveness or prepare them for more responsibility.

Supply Chain

Our ability to maintain consistent quality throughout each of our restaurant brands depends upon acquiring products from reliable sources. Our pre-approved suppliers and our restaurants are required to adhere to strict product and safety specifications established through our quality assurance and culinary programs. These requirements ensure that high quality products are served in each of our restaurants. We strategically negotiate directly with major suppliers to obtain competitive prices. We also use purchase commitment contracts when appropriate to stabilize the potentially volatile pricing associated with certain commodity items. All essential products are available from pre-qualified distributors to be delivered to any of our restaurant brands. Additionally, as a purchaser of a variety of protein products, we do require our vendors to adhere to humane processing standards for their respective industries and encourage them to evaluate new technologies for food safety and humane processing improvements. 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. Internationally, our franchisees and joint venture operations may encounter cultural and regulatory differences resulting in differences with product specifications for international restaurant locations.

Advertising and Marketing

Our brands generally target the twenty-four to fifty-four year-old age group, which constitutes approximately 41% of the United States population. We believe that for many meal occasions, these consumers value the benefits of the casual dining category. In choosing not to cook, these consumers want the higher food quality, the opportunity to connect with family and friends and the enhanced dining experience that our restaurant brands offer. To reach this target group, we use a mix of television, radio, print, outdoor or online advertising, as well as mail (direct and electronic) and social media, with each of our restaurant brands utilizing one or more of these mediums to meet the brand’s communication strategy and budget. Our brands have also leveraged extensive consumer marketing research to monitor brand health, guest satisfaction and emerging trends, as well as to validate menu development and creative campaigns.

Our franchise agreements generally require advertising contributions to us by the franchisees. We use these contributions, in conjunction with company funds, for the purpose of retaining agencies, obtaining consumer insights, developing and producing brand-specific creative materials and purchasing national or regional media to meet the brand’s strategy. Some franchisees also spend additional amounts on local advertising. Any such local advertising must first be approved by us.

Team Members

As of June 27, 2012, we employed approximately 58,068 team members, of which 646 were restaurant support center personnel in Dallas, and 4,399 were restaurant area directors, managers, or trainees. The remaining 53,023 were employed in non-management restaurant positions. Our executive officers have an average of 24 years of experience in the restaurant industry, some of whom began their careers in the restaurants we operate today.

We have a positive team member relations outlook and continue to focus on improving our team member turnover rate. We have a variety of tools and strong resources in place to help us recruit and retain the best talent to work in our restaurants.

The majority of our team members, outside of restaurant management and restaurant support center personnel, are paid on an hourly basis. We stand firm in the belief that we provide competitive working conditions and wages favorable with other companies in our industry. Our team members 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 Margarita Bar”, “Chili’s Southwest Grill & Bar”, “Chili’s Too”, “Maggiano’s”, and “Maggiano’s Little Italy”, 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, at our website, 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. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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. Despite a weak U.S. employment market, there is active competition for quality management personnel and hourly team members. We continue to face competition as a result of the trend toward convergence in grocery, deli and restaurant services, including the offering by the grocery industry of convenient meals in the form of improved entrees and side dishes, as well as the trend in quick service and fast casual restaurants toward higher quality food and beverage offerings. We compete primarily on the quality, variety and value perception of menu items, as well as the quality and efficiency of service, the attractiveness of facilities and the effectiveness of advertising and marketing programs.

Our restaurants also face competition from the introduction of new products and menu items by competitors, as well as substantial price discounting and other offers, and are likely to continue to face such competition in the future. Although we may implement a number of business strategies, the future success of new products, initiatives and overall strategies is highly difficult to predict and will be influenced by competitive product offerings, pricing and promotions offered by competitors. Our ability to differentiate our brands from their competitors, which is in part limited by the advertising monies available to us and by consumer perception, cannot be assured. These factors could reduce the gross sales or profitability at our restaurants, which would reduce the revenues generated by company-owned restaurants and royalty payments from franchisees.

Changing health or dietary preferences may cause consumers to avoid our products in favor of alternative foods. The food service industry as a whole rests on consumer preferences and demographic trends at the local, regional, national and international levels, and the impact on consumer eating habits of new information regarding diet, nutrition and health. We and our franchisees depend on the sustained demand for our products, which may be affected by factors we do not control. Changes in nutritional guidelines issued by the federal government agencies, issuance of similar guidelines or statistical information by other federal, state or local municipalities, academic studies, or advocacy organizations among other things, may impact consumer choice and cause consumers to select foods other than those that are offered by our restaurants. We may not be able to adequately adapt our menu offerings to keep pace with developments in current consumer preferences, which may result in reductions to the revenues generated by our company-owned restaurants and the payments we receive from franchisees.

The global economic crisis continues to impact consumer discretionary spending and a prolonged economic recovery could result in declines in consumer discretionary spending materially affecting our financial performance in the future.

The restaurant industry is dependent upon consumer discretionary spending. Consumer confidence has not recovered from historic lows impacting the public's ability and/or desire to spend discretionary dollars as a result of job losses, home foreclosures, significantly reduced home values, investment losses in the financial markets, personal bankruptcies and reduced access to credit. Current international fiscal concerns threaten to weaken the slow U.S. economic recovery. While sales and traffic gains have been made by the restaurant industry and our restaurants in fiscal 2012, the economic improvement in the restaurant industry continues to come from cost savings initiatives as well as our success to improve our guest experience within our existing restaurant locations. If this current weak economic recovery continues for a prolonged period of time and/or deepens in magnitude returning to the negative trends of the prior years, our business, results of operations and ability to comply with the covenants under our credit facility could be materially affected. Leading economic indicators such as employment and consumer confidence remain challenged and may not show meaningful improvement in fiscal 2013. Deterioration in guest traffic and/or a reduction in the average amount guests spend in our restaurants will negatively impact our revenues. This will result in lower royalties collected, sales deleverage, spreading fixed costs across a lower level of sales, and will, in turn cause downward pressure on our profitability. The result could be further reductions in staff levels, asset impairment charges and potential restaurant closures.

Future weak global economic results or recessionary effects on us are unknown at this time and could have a potential material adverse effect on our financial position and results of operations. There can be no assurance that the government's plan to restore fiscal responsibility or future plans to stimulate the economy will restore consumer confidence, stabilize the financial markets, increase liquidity and the availability of credit, or result in lower unemployment, which remains stubbornly high at the present time.

The current weak economic recovery could have a material adverse impact on our landlords or other tenants in retail centers in which we or our franchisees are located, which in turn could negatively affect our financial results.

If the weak economic recovery continues or returns to recessionary levels, our landlords may be unable to obtain financing or remain in good standing under their existing financing arrangements, resulting in failures to pay required construction contributions or satisfy other lease covenants to us. In addition other tenants at retail centers in which we or our franchisees are located or have executed leases may fail to open or may cease operations. If our landlords fail to satisfy required co-tenancies, such failures may result in us or our franchisees terminating leases or delaying openings in these locations. Also, decreases in total tenant occupancy in retail centers in which we are located may affect guest traffic at our restaurants. All of these factors could have a material adverse impact on our operations.

Inflation may increase our operating expenses.

We have experienced impact from inflation. Inflation has caused increased food, labor and benefits costs and has increased 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.

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

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, the Immigration Reform and Control Act of 1986, 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, including, tip credits, working conditions, safety standards and immigration status. 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. Enactment and enforcement of various federal, state and local laws, rules and regulations on immigration and labor organizations may adversely impact the availability and costs of labor for our restaurants in a particular area or across the United States. Other labor shortages or increased team member turnover could also increase labor costs. In addition, our vendors may be affected by higher minimum wage standards or availability of labor, which may increase the price of goods and services they supply to us. We continue to review the health care reform law enacted by Congress in March of 2010 and regulations issued related to the law to evaluate the potential impact of this new law on our business, and to accommodate various parts of the law as they take effect. There are no assurances that a combination of cost management and price increases can accommodate all of the costs associated with compliance.

We are subject to laws and regulations, which vary from jurisdiction to jurisdiction, relating to nutritional content and menu labeling. Compliance with these laws and regulations may lead to increased costs and operational complexity, changes in sales mix and profitability, and increased exposure to governmental investigations or litigation. We do not expect to incur material costs from compliance with the provision of the new health care law requiring disclosure of calories on the menus, but cannot reliably anticipate any changes in guest behavior resulting from implementation of this portion of the law, which could have adverse effects on our sales or results of operations.

Each of our and our franchisees' restaurants is also 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 and maintaining the required licenses and approvals that could impact the continuing operations of an existing restaurant, or delay or prevent the opening of a new restaurant. Although we do not, at this time, anticipate any occurring in the future, we cannot assure you that we or our franchisees will not experience material difficulties or failures that could impact the continuing operations of an existing restaurant, or delay the opening of restaurants in the future.

We are also 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. In particular, the U.S. and other foreign governments have increased focus on environmental matters such as climate change, greenhouse gases and water conservation. This increased focus may lead to new initiatives directed at regulating an as yet unspecified array of environmental matters. These efforts could result in increased taxation or in future restrictions on or increases in costs associated with food and other restaurant supplies, transportation costs and utility costs, any of which could decrease our operating profits and/or necessitate future investments in our restaurant facilities and equipment to achieve compliance. Further, more stringent and varied requirements of local and state governmental bodies with respect to zoning, land use and environmental factors could delay, prevent or make cost prohibitive the continuing operations of an existing restaurant or the development of new restaurants in particular locations.

Due to our international franchising, we are also subject to governmental regulations throughout the world that impact the way we do business with our international franchisees and joint venture partners. These include antitrust and tax requirements, anti-boycott regulations, import/export/customs regulations and other international trade regulations, the USA Patriot Act and The Foreign Corrupt Practices Act. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could adversely impact our business and financial performance.

The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations, or our inability to respond effectively to significant regulatory or public policy issues, could increase our compliance and other costs of doing business and therefore have an adverse effect on our results of operations. Failure to comply with the laws and regulatory requirements of federal, state and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings.

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, in particular electricity and natural gas. Various regions of the United States in which we operate multiple restaurants have experienced in the recent past significant increases in utility prices. These increases have affected costs and if they occur again, it would have possible adverse effects on our profitability to the extent not otherwise recoverable through price increases or alternative products, processes or cost reduction procedures. Further, higher prices for petroleum-based fuels may be passed on to us by vendors putting further pressure on margins as well as impact our guests discretionary funds and ability to patron our restaurants or guests' menu choices.

Shortages or interruptions in the availability and delivery of food and other supplies may increase costs or reduce revenues.

Possible shortages or interruptions in the supply of food items and other supplies to our restaurants caused by inclement weather, natural disasters such as floods, drought and hurricanes, the inability of our vendors to obtain credit in a tightened credit market, food safety warnings or advisories or the prospect of such pronouncements, or other conditions beyond our control could adversely affect the availability, quality and cost of items we buy and the operations of our restaurants. Our inability to effectively manage supply chain risk could increase our costs and limit the availability of products critical to our restaurant operations.

Successful strategic transactions are important to our future growth and profitability.

We evaluate potential franchisees of new and existing restaurants and joint venture investments, as well as mergers, acquisitions 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 franchise and joint venture partner candidates;

- our ability to achieve projected economic and operating synergies; and
- unanticipated changes in business and economic conditions affecting an acquired business or the completion of a divestiture.

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

Our ability to meet our business strategy plan is dependent upon, among other things, our and our franchisees' ability to:

- increase gross sales and operating profits at existing restaurants with food and beverage options and high quality service desired by our guests through successful implementation of strategic initiatives;
- identify adequate sources of capital to fund and finance strategic initiatives, including remodeling of existing restaurants and new restaurant development;
- 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, obtain construction materials at suitable prices, and maintain construction schedules; and
- hire and train or retain qualified managers and team members for existing and new restaurants.

The success of our franchisees is important to our future growth.

We have significantly increased the percentage of restaurants owned and operated by our franchisees. While our franchise agreements are designed to maintain brand consistency, this increase reduces our direct day-to-day control over these restaurants and may expose us to risks not otherwise encountered if we maintained ownership and control of same. These risks include franchisee defaults in their obligations to us arising from financial or other difficulties encountered by them, such as payments to us or maintenance and improvements obligations; limitations on enforcement of franchise obligations due to bankruptcy or insolvency proceedings; inability to participate in business strategy changes due to financial constraints; inability to meet rent obligations on leases on which we retain contingent liability; and failure to comply with food quality and preparation requirements subjecting us to litigation even when we are not legally liable for a franchisee's actions or failure to act.

Additionally our international franchisees and joint venture partners are subject to risks not encountered by our domestic franchisees. These risks include:

- difficulties in achieving consistency of product quality and service as compared to U.S. operations;
- changes to recipes and menu offerings to meet cultural norms;
- challenges to obtain adequate and reliable supplies necessary to provide menu items and maintain food quality; and
- differences, changes or uncertainties in economic, regulatory, legal, social and political conditions.

Our sales volumes generally decrease in winter months in North America.

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.

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. The speed at which negative publicity (whether or not accurate) can be disseminated has increased dramatically with the capabilities of electronic communication, including social media. If we are unable to quickly and effectively respond to such reports, we may suffer declines in guest traffic which could materially impact our financial performance.

Litigation could have a material adverse impact on our business and our financial performance.

We are subject to lawsuits, administrative proceedings and claims that arise in the regular course of business. These matters typically involve claims by guests, team members and others regarding issues such as food borne illness, food safety, premises liability, compliance with wage and hour requirements, work-related injuries, discrimination, harassment, disability and other operational issues common to the foodservice industry, as well as contract disputes and intellectual property infringement matters. We could be adversely affected by negative publicity and litigation costs resulting from these claims, regardless of their validity. Significant legal fees and costs in complex class action litigation or an adverse judgment or settlement that is not insured or is in excess of insurance coverage could have a material adverse effect on our financial position and results of operations.

We are dependent on information technology and any material failure of that technology or our ability to execute a comprehensive business continuity plan could impair our ability to efficiently operate our business.

We rely on information systems across our operations, including, for example, point-of-sale processing in our restaurants, management of our supply chain, collection of cash, payment of obligations and various other processes and procedures. Our ability to efficiently manage our business depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with maintenance, upgrading or transitioning to replacement systems, or a breach in security of these systems could cause delays in customer service and reduce efficiency in our operations. Significant capital investments might be required to remediate any problems.

Additionally, our corporate systems and processes and corporate support for our restaurant operations are handled primarily at our restaurant support center. We have disaster recovery procedures and business continuity plans in place to address most events of a crisis nature, including tornadoes and other natural disasters, and back up and off-site locations for recovery of electronic and other forms of data and information. However, if we are unable to fully implement our disaster recover plans, we may experience delays in recovery of data, inability to perform vital corporate functions, tardiness in required reporting and compliance, failures to adequately support field operations and other breakdowns in normal communication and operating procedures that could have a material adverse effect on our financial condition, results of operation and exposure to administrative and other legal claims.

We outsource certain business processes to third-party vendors that subject us to risks, including disruptions in business and increased costs.

Some business processes are currently outsourced to third parties. Such processes include gift card tracking and authorization, credit card authorization and processing, insurance claims processing, certain payroll processing, tax filings and other accounting processes. We also continue to evaluate our other business processes to determine if additional outsourcing is a viable option to accomplish our goals. We make a diligent effort to ensure that all providers of outsourced services are observing proper internal control practices, such as redundant processing facilities; however, there are no guarantees that failures will not occur. Failure of third parties to provide adequate services could have an adverse effect on our results of operations, financial condition or ability to accomplish our financial and management reporting.

Continuing disruptions in the global financial markets may adversely impact the availability and cost of credit and consumer spending patterns.

The continuing disruptions to the global financial markets and continuing weak economic recovery has adversely impacted the availability of credit already arranged and the availability and cost of credit in the future. The disruptions in the financial markets also had an adverse effect on the U.S. and world economy, which has negatively impacted consumer spending patterns. There can be no assurance that various U.S. and world government present and future responses to the disruptions in the financial markets will restore consumer confidence, stabilize the markets or increase liquidity or the availability of credit.

Declines in the market price of our common stock or changes in other circumstances that may indicate an impairment of goodwill could adversely affect our financial position and results of operations.

We perform our annual goodwill impairment test in the second quarter of each fiscal year. Interim goodwill impairment tests are also required when events or circumstances change between annual tests that would more likely than not reduce the fair value of our reporting units below their carrying value. It is possible that a change in circumstances such as the decline in the market price of our common stock or changes in consumer spending levels, or in the numerous variables associated with the judgments, assumptions and estimates made in assessing the appropriate valuation of our goodwill, could negatively impact the valuation of our brands and create the potential for a non-cash charge to recognize impairment losses on some or all of our goodwill. If we were required to write down a portion of our goodwill and record related non-cash impairment charges, our financial position and results of operations would be adversely affected.

Changes to estimates related to our property and equipment, or operating results that are lower than our current estimates at certain restaurant locations, may cause us to incur impairment charges on certain long-lived assets.

We make certain estimates and projections with regards to individual restaurant operations, as well as our overall performance in connection with our impairment analyses for long-lived assets. An impairment charge is required when the carrying value of the asset exceeds the estimated fair value or undiscounted future cash flows of the asset. The projection of future cash flows used in this analysis requires the use of judgment and a number of estimates and projections of future operating results. If actual results differ from our estimates, additional charges for asset impairments may be required in the future. If impairment charges are significant, our results of operations could be adversely affected.

Failure to protect the integrity and security of individually identifiable data of our guests and teammates could expose us to litigation and damage our reputation.

We receive and maintain certain personal information about our guests and teammates. The use of this information by us is regulated at the federal and state levels, as well as by certain third party contracts. If our security and information systems are compromised or our business associates fail to comply with these laws and regulations and this information is obtained by unauthorized persons or used inappropriately, it could adversely affect our reputation, as well as operations, results of operations and financial condition, and could result in litigation against us or the imposition of penalties. As privacy and information security laws and regulations change, we may incur additional costs to ensure it remains in compliance.

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 team members, especially in light of the increased demand for such individuals 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 and financial and credit markets (including rising interest rates and costs for consumers and reduced disposable income); credit availability; increased costs of food commodities; increased fuel costs and availability for our team members, customers and suppliers; increased health care costs; health epidemics or pandemics or the prospects of these events; 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 winter storms) and other acts of God.

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES.

Restaurant Locations

At June 27, 2012, our system of company-owned and franchised restaurants included 1,581 restaurants located in 50 states and Washington, D.C. We also have restaurants in the U.S. territories of Guam and Puerto Rico and the countries of Bahrain, Brazil, Canada, Dominican Republic, Ecuador, Egypt, El Salvador, Germany, Guatemala, Honduras, India, Indonesia, Japan, Jordan, Kuwait, Lebanon, Malaysia, Mexico, Oman, Peru, Philippines, Portugal, Qatar, Russia, Saudi Arabia, Singapore, South Korea, Syria, 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 27, 2012:

Chili's	
Company-owned	821
Franchise	715
Maggiano's	
Company-owned	44
Franchise	1
Total	1,581

Table 2: Domestic vs. foreign locations (by brand) as of June 27, 2012 (company-owned and franchised):

	Domestic (No. of States)	Foreign (No. of countries and territories)
Chili's	1,279(50)	257(33)
Maggiano's	44(20 & D.C.)	1

Restaurant Property Information

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

	Chili's	Maggiano's
Square Feet	3,930-5,450	12,000-17,000
Dining Seats	150-220	500-700
Dining Tables	35-50	100-150

The leases typically provide for a fixed rental plus percentage rentals based on sales volume. At June 27, 2012, we owned the land and building for 188 of our 865 company-owned restaurant locations. For these 188 restaurant locations, the net book value for the land was $142 million and for the buildings was $125 million. For the remaining 677 restaurant locations leased by us, the net book value of the buildings and leasehold improvements was $553 million. The 677 leased restaurant locations can be categorized as follows: 535 are ground leases (where we lease land only, but own the building) and 142 are retail leases (where we lease the land/retail space and building). We believe that our properties are suitable, adequate, well-maintained and sufficient for the operations contemplated. Some of our leased restaurants are leased for an initial lease term of 5 to 30 years, with renewal terms of 1 to 35 years.

Other Properties

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 which is currently utilized by us, reserved for future expansion of our headquarters, or sublet to third parties. Because of our operations throughout the United States, we also lease office space in California, Colorado, Florida, New Jersey and Texas for use as regional operation offices. The size of these office leases range from approximately 100 square feet to approximately 4,000 square feet.

Item 3. LEGAL PROCEEDINGS.

In August 2004, certain current and former hourly restaurant team members filed a putative class action lawsuit against us in California Superior Court alleging violations of California labor laws with respect to meal periods and rest breaks. The lawsuit sought penalties and attorney's fees and was certified as a class action by the trial court in July 2006. In July 2008, the California Court of Appeal decertified the class action on all claims with prejudice. In October 2008, the California Supreme Court granted a writ to review the decision of the Court of Appeal and oral arguments were heard by the California Supreme Court on November 8, 2011. On April 12, 2012, the California Supreme Court issued an opinion affirming in part, reversing in part, and remanding in part for further proceedings. The California Supreme Court's opinion resolved many of the legal standards for meal periods and rest breaks in our California restaurants and we intend to vigorously defend our position on the remaining issues upon remand to the trial court. It is not possible 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. Reserves have been established based on our best estimates of our potential liability in certain of these matters. Based upon consultation with legal counsel, Management 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. MINE SAFETY DISCLOSURES.

Not applicable.

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 27, 2012:

	High	Low
First Quarter	$26.57	$20.01
Second Quarter	$27.07	$20.07
Third Quarter	$28.98	$25.66
Fourth Quarter	$32.69	$26.65

Fiscal year ended June 29, 2011:

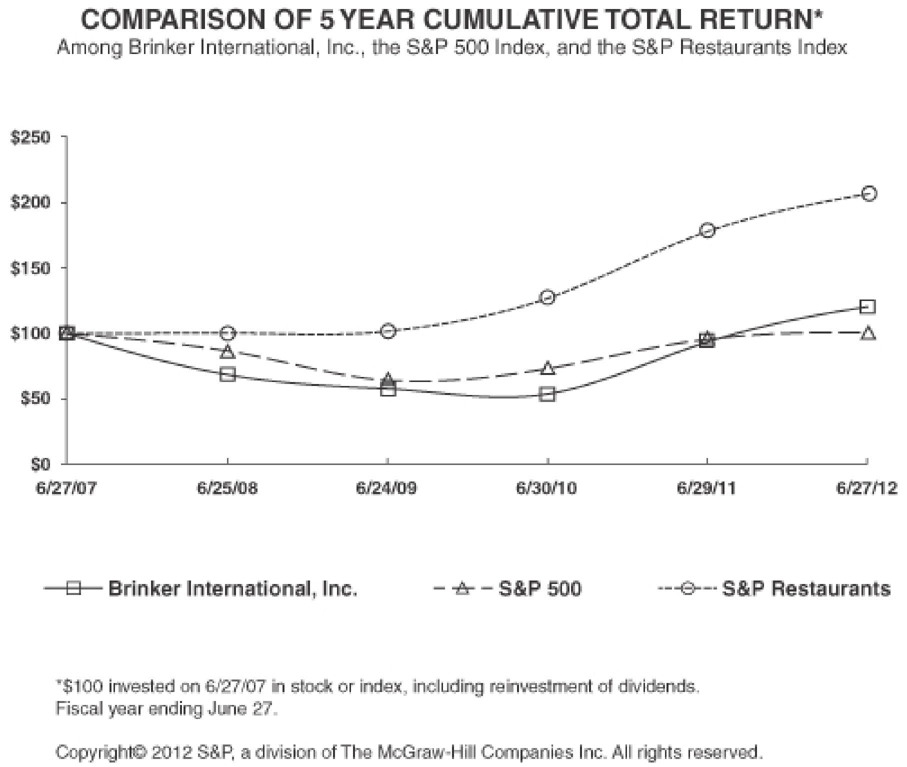
	High	Low
First Quarter	$18.84	$14.12
Second Quarter	$22.15	$18.24
Third Quarter	$25.32	$20.88
Fourth Quarter	$26.03	$23.20

As of August 13, 2012, there were 654 holders of record of our common stock.

During the fiscal year ended June 27, 2012, we continued to declare quarterly cash dividends for our shareholders. We have set forth the dividends declared for the fiscal year in the following table on the specified dates:

Dividend Per Share of Common Stock	Declaration Date	Record Date	Payment Date
$0.16	August 29, 2011	September 9, 2011	September 29, 2011
$0.16	November 3, 2011	December 9, 2011	December 29, 2011
$0.16	February 9, 2012	March 9, 2012	March 29, 2012
$0.16	June 1, 2012	June 11, 2012	June 28, 2012

The following graph compares the cumulative five-year total return provided shareholders on Brinker International, Inc.'s common stock relative to the cumulative total returns of the S&P 500 Index and the S&P Restaurants Index.



The graph assumes a $100 initial investment and the reinvestment of dividends in our stock and each of the indexes on June 27, 2007 and its relative performance is tracked through June 27, 2012. The values shown are neither indicative nor determinative of future performance.

	2007	2008	2009	2010	2011	2012
Brinker International	$100.00	$ 68.35	$ 57.57	$ 53.97	$ 93.90	$ 119.67
S&P 500	$100.00	$ 86.88	$ 64.10	$ 73.35	$ 95.87	$ 101.09
S&P Restaurants(1)	$100.00	$100.34	$101.87	$127.46	$178.59	$ 207.35

(1) The S&P Restaurants Index is comprised of Darden Restaurants, Inc., McDonald's Corp., Starbucks Corp., and Yum! Brands Inc.

Except as described in the immediately preceding paragraphs, during the three-year period ended on August 13, 2012, we issued no securities which were not registered under the Securities Act of 1933, as amended.

We continue to maintain our share repurchase program; on August 23, 2012, our Board of Directors increased our share repurchase authorization by $500 million, bringing the total authorization to $3,385 million. During the fourth quarter, we repurchased shares as follows (in thousands, except share and per share amounts):

	Total Number of Shares Purchased(a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value that May Yet be Purchased Under the Program(b)
March 29, 2012 through May 2, 2012	1,419,201	$ 27.47	1,418,700	$ 200,338
May 3, 2012 through May 30, 2012	912,836	$ 31.68	912,098	$ 171,425
May 31, 2012 through June 27, 2012	344,200	$ 31.93	344,200	$ 160,429
Total	2,676,237	$ 29.48	2,674,998	

(a) These amounts include shares purchased as part of our publicly announced programs and shares owned and tendered by team members to satisfy tax withholding obligations on the vesting of restricted share awards, which are not deducted from shares available to be purchased under publicly announced programs. Unless otherwise indicated, shares owned and tendered by team members to satisfy tax withholding obligations were purchased at the average of the high and low prices of the Company's shares on the date of vesting. During the fourth quarter of fiscal 2012, 1,239 shares were tendered by team members at an average price of $29.62.

(b) The final amount shown is as of June 27, 2012.

Item 6. SELECTED FINANCIAL DATA.

The information set forth in that section entitled "Selected Financial Data" in our 2012 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 2012 Annual Report to Shareholders is presented on pages F-2 through F-13 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 2012 Annual Report to Shareholders presented on page F-12 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 25 for a listing of all financial statements in our 2012 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 were 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 2012 Annual Report to Shareholders and are presented on pages F-33 through F-35 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 27, 2012, 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, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

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”, “Committees of the Board of Directors”, “Executive Officers”, and “Section 16(a) Beneficial Ownership Reporting Compliance” in our Proxy Statement to be dated on or about September 18, 2012, for the annual meeting of shareholders on November 8, 2012. 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 team members, 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. Any amendment of, or waiver from, our code of ethics will be posted on our website within four business days of such amendment or waiver.

Item 11. EXECUTIVE COMPENSATION.

If you would like information about our executive compensation, you should read the section entitled “Executive Compensation—Compensation Discussion and Analysis” in our Proxy Statement to be dated on or about September 18, 2012, for the annual meeting of shareholders on November 8, 2012. 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 “Director Compensation for Fiscal 2012”, “Compensation Discussion and Analysis”, and “Stock Ownership of Certain Persons” in our Proxy Statement to be dated on or about September 18, 2012, for the annual meeting of shareholders on November 8, 2012. We incorporate that information in this document by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

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 18, 2012, for the annual meeting of shareholders on November 8, 2012. We incorporate that information in this document by reference.

If you would like information about the independence of our non-management directors and the composition of the Audit Committee, Compensation Committee and Governance and Nominating Committee, you should read the sections entitled “Director Independence” and “Committees of the Board of Directors” in our Proxy Statement to be dated on or about September 18, 2012, for the annual meeting of shareholders on November 8, 2012. 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 18, 2012, for the annual meeting of shareholders on November 8, 2012. 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 25 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/ GUY J. CONSTANT
Guy J. Constant,
Executive Vice President and
Chief Financial Officer

Dated: August 27, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, we have signed in our indicated capacities on August 27, 2012.

Name	Title
/S/ DOUGLAS H. BROOKS Douglas H. Brooks	Chairman of the Board, President, and Chief Executive Officer (Principal Executive Officer)
/S/ GUY J. CONSTANT Guy J. Constant	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/S/ JOSEPH M. DEPINTO Joseph M. DePinto	Director
/S/ MICHAEL DIXON Michael Dixon	Director
/S/ HARRIET EDELMAN Harriet Edelman	Director
/S/ JON LUTHER Jon Luther	Director
/S/ JOHN W. MIMS John W. Mims	Director
/S/ GEORGE R. MRKONIC George R. Mrkonic	Director
/S/ ROSENDO G. PARRA Rosendo G. Parra	Director
/S/ CECE SMITH Cece Smith	Director

INDEX TO FINANCIAL STATEMENTS

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

All schedules are omitted as the required information is inapplicable or the information is presented in the financials 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.(4)
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.(4)
10(a)	Registrant’s Stock Option and Incentive Plan.(5)
10(b)	Registrant’s 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants.(6)
10(c)	Registrant’s Performance Share Plan Description.(7)
10(d)	Credit Agreement dated as of June 22, 2010, by and among Registrant, Brinker Restaurant Corporation, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities, LLC, Regions Capital Markets, a Division of Regions Bank, J.P. Morgan Chase Bank, N.A., Regions Bank, Compass Bank, and Wells Fargo Bank, National Association, as amended by Amendment No. 1, dated as of August 9, 2011.(8)
13	2012 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 Guy Constant, 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 Guy Constant, 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)
101+	Interactive Data File
+	As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

(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 quarterly report on Form 10-Q for quarter ended March 30, 2011, 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 registration statement on Form S-4 filed June 25, 2004, SEC File No. 333-116879, and incorporated herein by reference.

(5) Filed as Appendix A to Proxy Statement of Registrant, filed on September 11, 2008, and incorporated herein by reference.
(6) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended December 28, 2005, and incorporated herein by reference.
(7) Filed as an exhibit to quarterly report on Form 10-Q for the quarter ended March 29, 2006, and incorporated herein by reference.
(8) Filed as an exhibit to current report on Form 8-K dated August 9, 2011, 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 18, 2012.

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

	Fiscal Years				
	2012	2011	2010(a)	2009	2008
Income Statement Data:					
Revenues	$ 2,820,722	$ 2,761,386	$ 2,858,498	$ 3,276,362	$ 3,860,921
Operating Costs and Expenses:					
Cost of sales	769,729	742,283	816,015	923,668	1,101,125
Restaurant labor	891,910	886,559	926,474	1,054,078	1,239,604
Restaurant expenses	649,830	655,060	660,922	784,657	922,382
Depreciation and amortization	125,054	128,447	135,832	145,220	147,393
General and administrative	143,388	132,834	136,270	147,372	163,996
Other gains and charges	8,974	10,783	28,485	118,612	196,364
Total operating costs and expenses	2,588,885	2,555,966	2,703,998	3,173,607	3,770,864
Operating income	231,837	205,420	154,500	102,755	90,057
Interest expense	26,800	28,311	28,515	33,330	45,862
Other, net	(3,772)	(6,220)	(6,001)	(9,430)	(4,046)
Income before provision for income taxes	208,809	183,329	131,986	78,855	48,241
Provision for income taxes	57,577	42,269	28,264	6,734	2,644
Income from continuing operations	151,232	141,060	103,722	72,121	45,597
Income from discontinued operations, net of taxes	0	0	33,982	7,045	6,125
Net income	$ 151,232	$ 141,060	$ 137,704	$ 79,166	$ 51,722
Basic net income per share:					
Income from continuing operations	$ 1.93	$ 1.55	$ 1.02	$ 0.71	$ 0.44
Income from discontinued operations	$ 0.00	$ 0.00	$ 0.33	$ 0.07	$ 0.06
Net income per share	$ 1.93	$ 1.55	$ 1.35	$ 0.78	$ 0.50
Diluted net income per share:					
Income from continuing operations	$ 1.87	$ 1.53	$ 1.01	$ 0.70	$ 0.43
Income from discontinued operations	$ 0.00	$ 0.00	$ 0.33	$ 0.07	$ 0.06
Net income per share	$ 1.87	$ 1.53	$ 1.34	$ 0.77	$ 0.49
Basic weighted average shares outstanding	78,559	90,807	102,287	101,852	103,101
Diluted weighted average shares outstanding	80,664	92,320	103,044	102,713	104,897
Balance Sheet Data:					
Working capital	$ (206,903)	$ (184,241)	$ 51,190	$ 110,812	$ 88,745
Total assets	1,436,072	1,484,568	1,852,104	1,948,947	2,193,122
Long-term obligations	724,450	640,057	673,479	883,521	1,061,669
Shareholders' equity	309,873	438,910	728,748	646,924	595,089
Dividends per share	$ 0.64	$ 0.56	$ 0.47	$ 0.44	$ 0.42
Number of Restaurants Open (End of Period):					
Company-operated	865	868	871	1,024	1,265
Franchised/Joint venture	716	711	679	665	623
Total	1,581	1,579	1,550	1,689	1,888
Revenues of franchisees(b)	$ 1,609,893	$ 1,558,886			

(a) Fiscal year 2010 consisted of 53 weeks while all other periods presented consisted of 52 weeks.

(b) Revenues of Franchisees are not recorded as revenues by the Company. Management believes that franchisee revenue information is important in understanding the Company's financial performance because these revenues are the basis on which the Company calculates and records franchise revenues.

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

GENERAL

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help you understand our company, our operations, and our current operating environment. For an understanding of the significant factors that influenced our performance during the past three fiscal years, the MD&A should be read in conjunction with the consolidated financial statements and related notes included in this annual report. Our MD&A consists of the following sections:

- **Overview**—a general description of our business and the casual dining segment of the restaurant industry
- **Results of Operations**—an analysis of our consolidated statements of income for the three years presented in our consolidated financial statements
- **Liquidity and Capital Resources**—an analysis of cash flows, including capital expenditures, aggregate contractual obligations, share repurchase activity, known trends that may impact liquidity, and the impact of inflation
- **Critical Accounting Estimates**—a discussion of accounting policies that require critical judgments and estimates

We have a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal years 2012 and 2011, which ended on June 27, 2012 and June 29, 2011, respectively, each contained 52 weeks. Fiscal year 2010 ended on June 30, 2010 and contained 53 weeks. The 53rd week in fiscal 2010 contributed approximately $52 million of incremental revenue and nine cents of incremental earnings per diluted share. While certain expenses increased in direct relationship to additional revenue from the 53rd week, other expenses, such as fixed costs, are incurred on a calendar month basis.

We report certain labor and related expenses in a separate caption on the consolidated statements of income titled restaurant labor. Restaurant labor includes all compensation-related expenses, including benefits and incentive compensation, for restaurant team members at the general manager level and below. Labor-related expenses attributable to multi-restaurant (or above-restaurant) supervision is included in restaurant expenses.

OVERVIEW

We are principally engaged in the ownership, operation, development, and franchising of the Chili's Grill & Bar ("Chili's") and Maggiano's Little Italy ("Maggiano's") restaurant brands. At June 27, 2012, we owned, operated, or franchised 1,581 restaurants. We sold On The Border Mexican Grill & Cantina ("On The Border") to OTB Acquisition LLC ("OTB Acquisition"), an affiliate of San Francisco-based Golden Gate Capital, in June 2010. On The Border is presented as discontinued operations in the consolidated financial statements.

We are committed to strategies and initiatives that are centered on long-term sales and profit growth, enhancing the guest experience and team member engagement. These strategies are intended to differentiate our brands from the competition, reduce the costs associated with managing our restaurants and establish a strong presence for our brands in key markets around the world. Key economic factors such as total employment, consumer confidence and spending levels improved this year; however, economic growth remains sluggish. We will continue to maintain a strong balance sheet and maintain our ability to provide results in all operating environments.

Our current initiatives are designed to drive profitable sales growth and improve the guest experience in our restaurants. We have implemented a team service model at Chili's which has resulted in labor efficiencies and positive guest feedback. Additional labor savings were achieved through improved food preparation procedures, a component of our kitchen retrofit initiative which was implemented last year. Another component of this initiative is the modification of our kitchens to include improved technology and equipment to provide a more consistent, high quality product at a faster pace, while generating significant labor cost savings. We are also implementing new restaurant information systems which we anticipate will increase profits through increased kitchen efficiency and better inventory control. Both of these initiatives will be completed for all company-owned Chili's restaurants in fiscal 2013. In addition to executing these operational strategies, we have repurchased shares of our common stock in order to return value to our shareholders and executed a revision to our credit facility to increase our financial flexibility while taking advantage of more favorable interest rates. We believe that the successful implementation of these operational and financial initiatives will help drive sales growth and operational efficiency while strengthening our competitive advantage and enhancing shareholder value.

In addition to these cost saving initiatives, we are also driving strategic initiatives that will further enhance sales and guest traffic. We continually evaluate our menu at Chili's to improve quality, freshness and value by introducing new items and improving existing favorites. We reconfigured the lighter choices section of our menu by adding new items that are available at both lunch and dinner. We have refined our value offerings in both dayparts, including the addition of new items to our lunch combo platform to improve the pace of service. Additionally, we have enhanced our steak selection, resulting in higher guest preference in this section of the menu. We believe these changes will further enhance sales and drive incremental traffic. We will continue to utilize value offerings as a tool to drive incremental sales; however, this is only one aspect of our overall sales strategy. We are committed to offering a compelling everyday menu that provides items our guests prefer at a solid value. We remodeled a significant number of company-owned restaurants in fiscal 2012 and will continue remodeling into fiscal 2013, revitalizing Chili's in a way which enhances the relevance of the brand and raises guest expectations regarding the quality of the experience. Improvements at Chili's will have the most significant impact on the business; however, our results will also benefit through additional contributions from Maggiano's and our global business. Maggiano's sales trends continue to improve, driven by offering guests a great value with Classic Pasta, the new Marco's Meal offering, new menu items and direct marketing. Additionally, Maggiano's has implemented initiatives around kitchen efficiency and inventory control to further enhance profitability. We believe our unique food and signature drinks, improved service and updated atmospheres will result in stronger brands and sustainable sales and profit growth through increased guest loyalty and traffic.

Global expansion allows further diversification which will enable us to build strength in a variety of markets and economic conditions. This expansion will come through franchise relationships, joint venture arrangements and equity investments, taking advantage of demographic and eating trends which we believe will accelerate in the international market over the next decade. Our growing percentage of franchise operations both domestically and internationally enable us to improve margins as royalty payments impact the bottom line.

The casual dining industry is a competitive business which is sensitive to changes in economic conditions, trends in lifestyles and fluctuating costs. Our priority remains increasing profitable growth over time in all operating environments. We have designed both operational and financial strategies to achieve this goal and in our opinion, improve shareholder value. Success with our initiatives to improve sales trends and operational effectiveness will enhance the profitability of our restaurants and strengthen our competitive position. The effective execution of our financial strategies, including repurchasing shares of our common stock, payment of quarterly dividends, disciplined use of capital and efficient management of operating expenses, will further enhance our profitability and return value to our shareholders. We remain confident in the financial health of our company, the long-term prospects of the industry as well as our ability to perform effectively in a competitive marketplace and a variety of economic environments.

RESULTS OF OPERATIONS FOR FISCAL YEARS 2012, 2011, AND 2010

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		
	2012	2011	2010
Revenues	100.0%	100.0%	100.0%
Operating Costs and Expenses:			
Cost of sales	27.3%	26.9%	28.5%
Restaurant labor	31.6%	32.1%	32.4%
Restaurant expenses	23.1%	23.7%	23.1%
Depreciation and amortization	4.4%	4.7%	4.8%
General and administrative	5.1%	4.8%	4.8%
Other gains and charges	0.3%	0.4%	1.0%
Total operating costs and expenses	91.8%	92.6%	94.6%
Operating income	8.2%	7.4%	5.4%
Interest expense	0.9%	1.0%	1.0%
Other, net	(0.1)%	(0.2)%	(0.2)%
Income before provision for income taxes	7.4%	6.6%	4.6%
Provision for income taxes	2.0%	1.5%	1.0%
Income from continuing operations	5.4%	5.1%	3.6%
Income from discontinued operations, net of taxes	0.0%	0.0%	1.2%
Net income	5.4%	5.1%	4.8%

REVENUES

Revenues for fiscal 2012 increased to $2,820.7 million, a 2.1% increase from the $2,761.4 million generated for fiscal 2011. The increase in revenue was primarily attributable to an increase in comparable restaurant sales resulting from favorable menu pricing and improved guest traffic at company-owned restaurants as follows:

	Fiscal Year Ended June 27, 2012				
	Comparable Sales	Price Increase	Mix Shift	Traffic	Capacity
Company-owned	2.6%	1.5%	(0.3)%	1.4%	(0.4)%
Chili’s	2.5%	1.4%	(0.4)%	1.5%	(0.4)%
Maggiano’s	3.0%	2.2%	0.0%	0.8%	0.0%
Franchise(1)	2.9%				
Domestic	2.4%				
International	4.2%				
System-wide(2)	2.7%				

(1) Revenues generated by franchisees are not included in revenues on the consolidated statements of income; however, we generate royalty revenue and advertising fees based on franchisee revenues, where applicable. We believe including franchisee comparable restaurants revenues provides investors information regarding brand performance that is relevant to current operations and may impact future restaurant development.

(2) System-wide comparable restaurant sales are derived from sales generated by company-owned Chili’s and Maggiano’s restaurants in addition to the sales generated at franchisee operated restaurants.

Chili's revenues increased to $2,366.2 million in fiscal 2012, a 1.9% increase from $2,321.7 million in fiscal 2011. The increase was primarily driven by an increase in comparable restaurant sales of 2.5% resulting from improved guest traffic and favorable menu pricing. Revenues were negatively impacted by a decrease in capacity of 0.4% for fiscal 2012 (as measured by average-weighted sales weeks) primarily due to three net restaurant closures during fiscal 2012.

Maggiano's revenues increased to $388.6 million in fiscal 2012, a 3.9% increase from $374.0 million in fiscal 2011 driven primarily by favorable menu pricing and improved guest traffic.

Royalty and franchise revenues increased slightly to $65.9 million in fiscal 2012 compared to $65.7 million in fiscal 2011 primarily due to the net addition of five franchised restaurants during fiscal 2012. Royalty revenues are recognized based on the sales generated by our franchisees and reported to us. Our franchisees generated approximately $1,610 million in sales in fiscal 2012.

Revenues for fiscal 2011 decreased to $2,761.4 million, a 3.4% decrease from the $2,858.5 million generated for fiscal 2010. Excluding revenues of approximately $52 million attributable to the additional operating week in fiscal 2010, the decrease in revenue was primarily attributable to the change in comparable restaurant sales resulting from a decline in guest traffic, partially offset by favorable menu pricing, as well as a decline in capacity at company-owned restaurants as follows:

	Fiscal Year Ended June 29, 2011(1)				
	Comparable Sales	Price Increase	Mix Shift	Traffic	Capacity
Company-owned	(1.2)%	1.1%	(0.1)%	(2.2)%	(1.9)%
Chili's	(2.0)%	1.2%	0.0%	(3.2)%	(2.0)%
Maggiano's	3.9%	0.7%	(0.6)%	3.8%	0.2%
Franchise(2)	(1.5)%				
Domestic	(3.2)%				
International	3.5%				
System-wide(3)	(1.3)%				

(1) Amounts are calculated based on 52 weeks in each fiscal year.

(2) Revenues generated by franchisees are not included in revenues on the consolidated statements of income; however, we generate royalty revenue and advertising fees based on franchisee revenues, where applicable. We believe including franchisee comparable restaurants revenues provides investors information regarding brand performance that is relevant to current operations and may impact future restaurant development.

(3) System-wide comparable restaurant sales are derived from sales generated by company-owned Chili's and Maggiano's restaurants in addition to the sales generated at franchisee operated restaurants.

Chili's revenues decreased to $2,321.7 million in fiscal 2011, a 4.9% decrease from $2,441.9 million in fiscal 2010. The decrease was primarily driven by the impact of the additional operating week in fiscal 2010 and a decline in comparable restaurant sales of 2.0% attributable to a decrease in guest traffic, partially offset by favorable menu pricing. Revenues were also impacted by a decrease in capacity of 2.0% for fiscal 2011 (as measured by average-weighted sales weeks) primarily due to three restaurant closures during fiscal 2011.

Maggiano's revenues increased to $374.0 million in fiscal 2011, a 6.3% increase from $352.0 million in fiscal 2010 driven primarily by an increase in guest traffic partially offset by the impact of the additional operating week in fiscal 2010.

Royalty and franchise revenues increased 1.7% to $65.7 million in fiscal 2011 compared to $64.6 million in fiscal 2010. The increase is primarily due to the net addition of six domestic and 23 international franchised restaurants during fiscal 2011. Our franchisees generated approximately $1,559 million in sales.

COSTS AND EXPENSES

Cost of sales, as a percent of revenues, increased 0.4% in fiscal 2012. Cost of sales was negatively impacted by unfavorable commodity pricing for pork, beef, oils and dairy, partially offset by favorable commodity pricing for chicken and favorable menu pricing. Cost of sales, as a percent of revenues, decreased 1.6% in fiscal 2011. Cost of sales was favorably impacted primarily by improved product mix at Chili's and decreased commodity pricing for chicken and cheese.

Restaurant labor, as a percent of revenues, decreased 0.5% in fiscal 2012 primarily driven by decreased hourly labor costs resulting from the installation of new kitchen equipment, changes in the vacation policy and sales leverage related to higher revenue, partially offset by higher salaries and payroll taxes. Restaurant labor, as a percent of revenues, decreased 0.3% in fiscal 2011 primarily driven by decreased hourly labor costs resulting from the successful implementation of team service and food preparation initiatives at Chili's, partially offset by higher restaurant manager incentive compensation resulting from improved performance.

Restaurant expenses, as a percent of revenues, decreased 0.6% in fiscal 2012 primarily driven by sales leverage on fixed costs related to higher revenue and lower repair and maintenance expenses resulting from cost control initiatives and limitations on discretionary spending. The decrease was also due to reduced credit card fees as a result of the Durbin Amendment, lower worker's compensation insurance expenses due to favorable claims development and decreased utilities expenses due to lower rates and milder winter weather. Restaurant expenses, as a percent of revenues, increased 0.6% in fiscal 2011 primarily driven by sales deleverage on fixed costs from the additional operating week in fiscal 2010 and current year changes to Maggiano's banquet billing and compensation structure, partially offset by reduced utilities expense due to lower rates.

Depreciation and amortization decreased $3.4 million in fiscal 2012 and $7.4 million in fiscal 2011 primarily driven by an increase in fully depreciated assets and restaurant closures and impairments, partially offset by an increase in depreciation due to investments in existing restaurants and asset replacements.

General and administrative expenses increased $10.6 million in fiscal 2012 primarily due to a decrease in income resulting from the expiration of the transaction services agreements with On The Border and Macaroni Grill. The increase was also due to higher relocation expenses, performance based compensation and salary expenses. General and administrative expenses decreased $3.4 million in fiscal 2011 primarily due to reductions in salary and stock-based compensation expenses resulting from lower headcount driven by organizational changes, partially offset by increased performance based compensation, higher professional fees and decreased income associated with the transaction services agreement with Macaroni Grill.

Other gains and charges primarily includes $3.2 million of lease termination charges, $3.1 million of charges related to the impairment of certain underperforming restaurants, $2.6 million of charges related to the impairment of certain liquor licenses, $1.3 million of litigation charges and $0.4 million of long-lived asset impairment charges resulting from closures. These charges were partially offset by net gains of $3.3 million related to land sales.

Other gains and charges in fiscal 2011 consisted of $5.0 million in severance and other benefits resulting from organizational changes, $3.0 million in lease termination charges related to previously closed restaurants and $1.9 million in long-lived asset impairments related to underperforming restaurants that are continuing to operate. Additionally, we recorded $1.5 million related to litigation, partially offset by net gains of $1.7 million related to land sales.

Other gains and charges in fiscal 2010 included a $19.8 million impairment charge related to 22 underperforming restaurants that are continuing to operate. We also recorded $4.0 million in lease termination charges and $5.4 million in long-lived asset impairments resulting from the decision to close nine underperforming restaurants. Additionally, we recorded $2.4 million in lease termination charges related to restaurants closed in prior years and $1.9 million in severance and other benefits resulting from organizational changes. These charges were partially offset by gains of $4.9 million related to the sale of 21 restaurants to a franchisee and land sales.

Interest expense decreased $1.5 million in fiscal 2012 as a result of lower interest rates on our variable interest rate debt, partially offset by the impact of higher borrowing balances and a $0.4 million write-off of deferred financing fees related to the revision of the unsecured senior credit facility that was executed in August 2011. Interest expense was flat in fiscal 2011 as a result of higher average interest rates on our variable interest rate debt, offset by the impact of lower borrowing balances and $1.7 million in accelerated expense in the prior year related to the remaining capitalized financing costs associated with the terminated revolving credit facility in fiscal 2010.

Other, net in fiscal 2012, 2011 and 2010 includes $3.3 million, $5.3 million and $4.7 million, respectively, of sublease income from Mac Acquisition, OTB Acquisition and franchisees as part of the respective sale agreements, as well as other subtenants. Other, net in fiscal 2011 and 2010 also includes $0.6 million of interest income on short-term investment balances.

In fiscal 2010, we sold the On The Border restaurants and recorded a $16.5 million pre-tax gain, which was included in income from discontinued operations, net of taxes, of $34.0 million.

INCOME TAXES

The effective income tax rate from continuing operations increased to 27.6% for fiscal 2012 from 23.1% in fiscal 2011 primarily due to increased earnings and a lower impact from resolved tax positions. Excluding the impact of special items and resolved tax positions, the effective income tax rate from continuing operations increased to 29.1% in fiscal 2012 from 27.8% in fiscal 2011 primarily due to increased earnings.

The effective income tax rate from continuing operations increased to 23.1% for fiscal 2011 from 21.4% in fiscal 2010 primarily due to an increase in earnings, partially offset by the resolution of certain tax positions resulting in a positive impact in the current year greater than the prior year. Excluding the impact of special items and resolved tax positions, the effective income tax rate from continuing operations increased to 27.8% in fiscal 2011 from 26.0% in fiscal 2010 due to an increase in earnings, partially offset by a decrease in state income tax expense.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash Flow from Operating Activities—Continuing Operations

During fiscal 2012, net cash flow provided by operating activities of continuing operations was $303.4 million compared to $260.0 million in the prior year. The increase was driven by significant changes in working capital during the prior fiscal year resulting primarily from the sale of On The Border. The settlement of liabilities and payment of transaction costs subsequent to the sale of the brand negatively impacted prior year operating cash flow. Increased earnings and working capital changes during fiscal 2012 also contributed to the current year increase in operating cash flow.

The working capital deficit increased to $206.9 million at June 27, 2012 from $184.2 million at June 29, 2011. The increase was driven primarily by cash paid for share repurchases and quarterly dividends. Additionally, accounts payable increased in the current year due to higher purchasing volume and payment timing. This increase was partially offset by a decline in accrued liabilities due to decreased insurance liabilities, lease payments and payroll related liabilities.

Cash Flow from Investing Activities—Continuing Operations

	2012	2011
Net cash used in investing activities (in thousands):		
Payments for property and equipment	$(125,226)	$(70,361)
Proceeds from sale of assets	8,112	8,696
Investments in equity method investees	(3,170)	(2,896)
Payments for purchases of restaurants	(3,120)	0
	$(123,404)	$(64,561)

Net cash used in investing activities of continuing operations for fiscal 2012 increased to $123.4 million compared to $64.6 million in the prior year. Capital expenditures increased to $125.2 for fiscal 2012 compared to $70.4 million for fiscal 2011 driven primarily by increased investments in new equipment and technology related to our kitchen retrofit initiative, the ongoing Chili's reimage program and purchases of new and replacement restaurant furniture and equipment. We estimate that our capital expenditures during fiscal 2013 will be approximately $130 million to $140 million and will be funded entirely by cash from operations.

Cash Flow from Financing Activities—Continuing Operations

	2012	2011
Net cash used in financing activities (in thousands):		
Purchases of treasury stock	$(287,291)	$(422,099)
Proceeds from issuance of long-term debt	70,000	0
Payments of dividends	(50,081)	(53,185)
Proceeds from issuances of treasury stock	43,416	33,057
Borrowings on credit facilities	40,000	0
Payments on long-term debt	(18,749)	(16,127)
Other	(214)	291
	$(202,919)	$(458,063)

Net cash used in financing activities of continuing operations for fiscal 2012 decreased to approximately $202.9 million compared to $458.1 million in the prior year primarily due to lower spending on share repurchases, the $70.0 million in proceeds received from the revised term loan and the $40.0 million in proceeds drawn from the revolver.

We repurchased approximately 11.1 million shares of our common stock for $287.3 million during fiscal 2012. Subsequent to the end of the fiscal year, we repurchased approximately 1.1 million shares for approximately $34 million.

In August 2011, we executed a revised unsecured senior credit facility increasing total capacity from $400 million to $500 million. The maturity date of the revised credit facility is August 2016. The revised facility includes a $250 million revolver and a $250 million term loan. In connection with the revision of the facility, we increased the term loan borrowings by $70.0 million. In April 2012, $40 million was drawn from the revolver primarily to fund share repurchases, none of which was repaid by the end of the fiscal year. In July 2012, an additional $50 million was borrowed from the revolver primarily to fund share repurchases discussed above.

The revised term loan and revolving credit facility bear interest at LIBOR plus an applicable margin, which is a function of our credit rating and debt to cash flow ratio, but is subject to a maximum of LIBOR plus 2.50%. Based on our current credit rating, we are paying interest at a rate of LIBOR plus 1.63%. One month LIBOR at June 27, 2012 was approximately 0.25%. As of June 27, 2012, we were in compliance with all financial debt covenants.

As of June 27, 2012, our credit rating by Standard and Poor's ("S&P") was BBB- (investment grade) with a stable outlook. Our corporate family rating by Moody's was Ba1 (non-investment grade) and our senior unsecured rating was Ba2 (non-investment grade) with a stable outlook. Our goal is to retain our investment grade rating from S&P and ultimately regain our investment grade rating from Moody's.

We paid dividends of $50.1 million to common stock shareholders in fiscal 2012 compared to $53.2 million in dividends paid in fiscal 2011. Our Board of Directors approved a 14 percent increase in the quarterly dividend from $0.14 to $0.16 per share effective with the September 2011 dividend; however, lower outstanding shares resulting from repurchase activity reduced our total dividend payment in the current year. Additionally, we declared a quarterly dividend late in fiscal 2012 which was paid early in fiscal 2013 on June 28, 2012. Subsequent to the end of the fiscal year, our Board of Directors approved a 25% increase in the quarterly dividend from $0.16 to $0.20 per share effective with the September 2012 dividend which was declared in August 2012. We will continue to target a 40 percent dividend payout ratio to provide additional return to shareholders.

Our Board of Directors has authorized a total of $2,885.0 million of share repurchases. As of June 27, 2012, approximately $160 million was available under our share repurchase authorizations. Subsequent to the end of the fiscal year, our Board of Directors authorized an additional $500 million in share repurchases, bringing the total authorization to $3,385.0 million. Our stock repurchase plan has been and will be used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. Repurchased common stock is reflected as a reduction of shareholders' equity. During fiscal 2012, approximately 2.0 million stock options were exercised resulting in cash proceeds of $43.4 million.

We have evaluated ways to monetize the value of our owned real estate and determined that the alternatives considered are more costly than other financing options currently available due to a combination of the income tax impact and higher effective borrowing rates.

Cash Flow Outlook

We believe that our various sources of capital, including future cash flow from operating activities of continuing operations and availability under our existing credit facility are adequate to finance operations as well as the repayment of current debt obligations. We are not aware of any other event or trend that would potentially affect our liquidity. In the event such a trend develops, we believe that there are sufficient funds available under our credit facility and from our internal cash generating capabilities to adequately manage our ongoing business.

Payments due under our contractual obligations for outstanding indebtedness, purchase obligations as defined by the Securities and Exchange Commission ("SEC"), and the expiration of the credit facility as of June 27, 2012 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)	$ 600,559	$ 41,675	$356,384	$202,500	$ 0
Capital leases	75,951	5,473	11,273	11,515	47,690
Operating leases	489,636	100,287	174,162	112,968	102,219
Purchase obligations(b)	109,344	20,092	24,904	20,639	43,709

	Amount of Revolving Credit Facility Expiration by Period (in thousands)				
	Total Commitment	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Revolving credit facility	$ 250,000	$ —	$ —	$250,000	$ —

(a) Long-term debt consists of amounts owed on the revolving credit facility, five-year term loan and 5.75% notes, as well as remaining interest payments on the 5.75% notes totaling $33.4 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 fountain beverages, procurement outsourcing, and energy and exclude agreements that are cancelable without significant penalty.

In addition to the amounts shown in the table above, $7.3 million of unrecognized tax benefits have been recorded as liabilities. The timing and amounts of future cash payments related to these liabilities are uncertain.

IMPACT OF INFLATION

We have experienced impact from inflation. Inflation has caused increased food, labor and benefits costs and has increased our operating expenses. 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, or by implementing other cost reduction procedures.

CRITICAL ACCOUNTING ESTIMATES

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

Stock Based Compensation

We measure and recognize compensation cost at fair value for all share-based payments, including stock options. We determine the fair value of our stock option awards using the Black-Scholes option valuation model. The Black-Scholes model requires judgmental assumptions including expected life and stock price volatility. We base our expected life assumptions on historical experience regarding option life. Stock price volatility is calculated based on historical prices and the expected life of the options. We determine the fair value of our performance shares using a Monte Carlo simulation model. The Monte Carlo method is a statistical modeling technique that requires highly judgmental assumptions regarding our future operating performance compared to our plan designated peer group in the future. The simulation is based on a probability model and market-based inputs that are used to predict future stock returns. We use the historical operating performance and correlation of stock performance to the S&P 500 composite index of us and our peer group as inputs to the simulation model. These historical returns could differ significantly in the future and as a result, the fair value assigned to the performance shares could vary significantly to the final payout. We believe the Monte Carlo simulation model provides the best evidence of fair value at the grant date and is an appropriate technique for valuing share-based awards. We recognize compensation expense for only the portion of share-based awards that are expected to vest. Therefore, we apply estimated forfeiture rates that are derived from our historical forfeitures of similar awards.

Income Taxes

In determining net income for financial statement purposes, we make certain estimates and judgments in the calculation of tax expense and the resulting tax liabilities and in the recoverability of deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense. When considered necessary, we record a valuation allowance to reduce deferred tax assets to a balance that is more likely than not to be recognized. We use an estimate of our annual effective tax rate at each interim period based on the facts and circumstances available at that time while the actual effective tax rate is calculated at year-end.

We record a liability for unrecognized tax benefits resulting from tax positions taken, or expected to be taken, in an income tax return. We recognize any interest and penalties related to unrecognized tax benefits in income tax expense. Significant judgment is required in assessing, among other things, the timing and amounts of deductible and taxable items. Tax reserves are evaluated and adjusted as appropriate, while taking into account the progress of audits of various taxing jurisdictions.

In addition to the risks related to the effective tax rate described above, the effective tax rate reflected in forward-looking statements is based on current tax law. Any significant changes in the tax laws could affect these estimates.

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 revenues. We periodically review the assets for changes in circumstances, which may impact their useful lives.

Impairment of Long-Lived Assets

We review the carrying amount of property and equipment semi-annually or when events or circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. We determine fair value based on projected discounted future operating cash flows of the restaurants over their remaining service life using a risk adjusted discount rate that is commensurate with the risk inherent in our current business model. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment.

Impairment of Goodwill

We assess the recoverability of goodwill related to our restaurant brands on an annual basis or more often if circumstances or events indicate impairment may exist. We consider our restaurants brands, Chili’s and Maggiano’s, to be both our operating segments and reporting units. The impairment test is a two-step process. Step one includes comparing the fair value of our reporting units to their carrying value. If the fair value of the reporting unit exceeds the carrying value, then the goodwill balance is not impaired and no further evaluation is required. If the carrying value of the reporting unit exceeds its fair value, impairment may exist and performing step two is necessary to determine the impairment loss. The amount of impairment would be determined by performing a hypothetical analysis resulting in an implied goodwill value by performing a fair value allocation as if the unit were being acquired in a business combination. This implied value would be compared to the carrying value to determine the amount of impairment loss, if any.

We determine fair value based on projected discounted future operating cash flows of the restaurant brands using a risk adjusted discount rate that is commensurate with the risk inherent in our current business model. We make assumptions regarding future profits and cash flows, expected growth rates, terminal values and other factors which could significantly impact the fair value calculations. In the event that these assumptions change in the future, we may be required to record impairment charges related to goodwill. The fair value of our reporting units was substantially in excess of the carry value as of our fiscal 2012 goodwill impairment test that was performed at the end of the second quarter. No indicators of impairment were identified from the date of our impairment test through the end of fiscal year 2012.

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.

Gift Card Revenue

Proceeds from the sale of gift cards are recorded as deferred revenue and recognized as revenue when the gift card is redeemed by the holder. Breakage income represents the value associated with the portion of gift cards sold that will most likely never be redeemed. Based on our historical gift card redemption patterns and considering our gift cards have no expiration dates or dormancy fees, we can reasonably estimate the amount of gift cards for which redemption is remote and record breakage income based on this estimate. We recognize breakage income within Revenues in the consolidated statements of income. We update our estimate of our breakage rate periodically and, if necessary, adjust the deferred revenue balance accordingly. If actual redemption patterns vary from our estimate, actual gift card breakage income may differ from the amounts recorded.

Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") updated its guidance on the annual testing of goodwill for impairment to allow companies to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test required under current accounting standards. The updated guidance is applicable to goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We do not expect the adoption of this updated guidance to have a material impact on our consolidated financial statements.

In June 2011 and as updated in December 2011, the FASB updated its guidance regarding comprehensive income to require companies to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in equity. This updated guidance is applicable for fiscal years beginning after December 15, 2011. We do not expect the adoption of this updated guidance to have a material impact on our consolidated financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. The variable rate financial instruments consist of the outstanding borrowings on our term loan and revolving credit facility. At June 27, 2012, $237.5 million was outstanding under the term loan and $40.0 million was outstanding under the revolving credit facility. 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 27, 2012 would be approximately $2.8 million.

We purchase certain commodities such as beef, pork, poultry, seafood, 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.

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.

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

	Fiscal Years 2012	2011	2010
Revenues	$2,820,722	$2,761,386	$2,858,498
Operating Costs and Expenses:			
Cost of sales	769,729	742,283	816,015
Restaurant labor	891,910	886,559	926,474
Restaurant expenses	649,830	655,060	660,922
Depreciation and amortization	125,054	128,447	135,832
General and administrative	143,388	132,834	136,270
Other gains and charges	8,974	10,783	28,485
Total operating costs and expenses	2,588,885	2,555,966	2,703,998
Operating income	231,837	205,420	154,500
Interest expense	26,800	28,311	28,515
Other, net	(3,772)	(6,220)	(6,001)
Income before provision for income taxes	208,809	183,329	131,986
Provision for income taxes	57,577	42,269	28,264
Income from continuing operations	151,232	141,060	103,722
Income from discontinued operations, net of taxes	0	0	33,982
Net income	$ 151,232	$ 141,060	$ 137,704
Basic net income per share:			
Income from continuing operations	$ 1.93	$ 1.55	$ 1.02
Income from discontinued operations	$ 0.00	$ 0.00	$ 0.33
Net income per share	$ 1.93	$ 1.55	$ 1.35
Diluted net income per share:			
Income from continuing operations	$ 1.87	$ 1.53	$ 1.01
Income from discontinued operations	$ 0.00	$ 0.00	$ 0.33
Net income per share	$ 1.87	$ 1.53	$ 1.34
Basic weighted average shares outstanding	78,559	90,807	102,287
Diluted weighted average shares outstanding	80,664	92,320	103,044
Dividends per share	$ 0.64	$ 0.56	$ 0.47

See accompanying notes to consolidated financial statements.

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

	2012	2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 59,103	$ 81,988
Accounts receivable	43,387	42,785
Inventories	25,360	25,365
Prepaid expenses and other	63,023	59,698
Income taxes receivable	1,055	0
Deferred income taxes	2,918	11,524
Total current assets	194,846	221,360
Property and Equipment:		
Land	152,382	156,731
Buildings and leasehold improvements	1,399,905	1,383,311
Furniture and equipment	556,304	543,682
Construction-in-progress	11,211	6,425
	2,119,802	2,090,149
Less accumulated depreciation and amortization	(1,076,238)	(1,033,870)
Net property and equipment	1,043,564	1,056,279
Other Assets:		
Goodwill	125,604	124,089
Deferred income taxes	20,231	30,365
Other	51,827	52,475
Total other assets	197,662	206,929
Total assets	$ 1,436,072	$ 1,484,568
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 27,334	$ 22,091
Accounts payable	100,531	87,549
Accrued liabilities	273,884	287,365
Income taxes payable	0	8,596
Total current liabilities	401,749	405,601
Long-term debt, less current installments	587,890	502,572
Other liabilities	136,560	137,485
Commitments and Contingencies (Notes 9 and 14)		
Shareholders' Equity:		
Common stock—250,000,000 authorized shares; $.10 par value; 176,246,649 shares issued and 74,342,115 shares outstanding at June 27, 2012, and 176,246,649 shares issued and 82,938,493 shares outstanding at June 29, 2011	17,625	17,625
Additional paid-in capital	466,781	463,688
Retained earnings	2,112,858	2,013,189
	2,597,264	2,494,502
Less treasury stock, at cost (101,904,534 shares at June 27, 2012 and 93,308,156 shares at June 29, 2011)	(2,287,391)	(2,055,592)
Total shareholders' equity	309,873	438,910
Total liabilities and shareholders' equity	$ 1,436,072	$ 1,484,568

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 (Loss)	Total
	Shares	Amount					
Balances at June 24, 2009	102,125	$17,625	$463,980	$1,834,307	$(1,668,988)	$ 0	$ 646,924
Net income and comprehensive income	0	0	0	137,704	0	0	137,704
Dividends ($0.47 per share)	0	0	0	(48,450)	0	0	(48,450)
Stock-based compensation	0	0	16,493	0	0	0	16,493
Purchases of treasury stock	(1,046)	0	(2,448)	0	(20,420)	0	(22,868)
Issuances of common stock	518	0	(9,268)	0	11,664	0	2,396
Tax benefit from stock options exercised	0	0	(3,451)	0	0	0	(3,451)
Issuances of restricted stock, net of forfeitures	(25)	0	415	0	(415)	0	0
Balances at June 30, 2010	101,572	17,625	465,721	1,923,561	(1,678,159)	0	728,748
Net income and comprehensive income	0	0	0	141,060	0	0	141,060
Dividends ($0.56 per share)	0	0	0	(51,432)	0	0	(51,432)
Stock-based compensation	0	0	13,381	0	0	0	13,381
Purchases of treasury stock	(20,585)	0	(1,788)	0	(420,311)	0	(422,099)
Issuances of common stock	1,951	0	(9,821)	0	42,878	0	33,057
Tax benefit from stock options exercised	0	0	(3,805)	0	0	0	(3,805)
Balances at June 29, 2011	82,938	17,625	463,688	2,013,189	(2,055,592)	0	438,910
Net income and comprehensive income	0	0	0	151,232	0	0	151,232
Dividends ($0.64 per share)	0	0	0	(51,563)	0	0	(51,563)
Stock-based compensation	0	0	13,461	0	0	0	13,461
Purchases of treasury stock	(10,966)	0	(2,901)	0	(284,390)	0	(287,291)
Issuances of common stock	2,370	0	(9,175)	0	52,591	0	43,416
Tax benefit from stock options exercised	0	0	1,708	0	0	0	1,708
Balances at June 27, 2012	74,342	$17,625	$466,781	$2,112,858	$(2,287,391)	$ 0	$ 309,873

See accompanying notes to consolidated financial statements.

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

	Fiscal Years 2012	2011	2010
Cash Flows from Operating Activities:			
Net income	$ 151,232	$ 141,060	$ 137,704
Income from discontinued operations, net of taxes	0	0	(33,982)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	125,054	128,447	135,832
Restructure charges and other impairments	10,396	8,427	31,766
Deferred income taxes	11,808	15,277	(25,516)
Net loss (gain) on disposal of assets	490	(401)	(4,878)
Stock-based compensation	13,461	12,789	15,595
Loss (Earnings) on equity investments	1,350	(1,802)	(114)
Other	799	405	2,637
Changes in assets and liabilities, excluding effects of dispositions:			
Accounts receivable	608	1,255	6,083
Inventories	(15)	1,341	6,544
Prepaid expenses and other	352	1,044	1,847
Other assets	489	406	551
Current income taxes	(3,874)	(3,976)	51,800
Accounts payable	12,188	(21,515)	(9,963)
Accrued liabilities	(17,197)	(15,178)	(7,483)
Other liabilities	(3,703)	(7,591)	(11,021)
Net cash provided by operating activities	303,438	259,988	297,402
Cash Flows from Investing Activities:			
Payments for property and equipment	(125,226)	(70,361)	(60,879)
Proceeds from sale of assets	8,112	8,696	26,603
Investment in equity method investees	(3,170)	(2,896)	0
Payments for purchase of restaurants	(3,120)	0	0
Decrease in restricted cash	0	0	29,749
Net cash used in investing activities	(123,404)	(64,561)	(4,527)
Cash Flows from Financing Activities:			
Purchases of treasury stock	(287,291)	(422,099)	(22,868)
Proceeds from issuance of long-term debt	70,000	0	200,000
Payments of dividends	(50,081)	(53,185)	(34,448)
Proceeds from issuances of treasury stock	43,416	33,057	2,396
Borrowings on revolving credit facility	40,000	0	0
Payments on long-term debt	(18,749)	(16,127)	(391,046)
Payments for deferred financing costs	(1,620)	0	(3,611)
Excess tax benefits from stock-based compensation	1,406	291	139
Net cash used in financing activities	(202,919)	(458,063)	(249,438)
Cash Flows from Discontinued Operations:			
Net cash provided by operating activities	0	0	39,033
Net cash provided by investing activities	0	0	167,998
Net cash provided by discontinued operations	0	0	207,031
Net change in cash and cash equivalents	(22,885)	(262,636)	250,468
Cash and cash equivalents at beginning of year	81,988	344,624	94,156
Cash and cash equivalents at end of year	$ 59,103	$ 81,988	$ 344,624

See accompanying notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations

We are principally engaged in the ownership, operation, development, and franchising of the Chili's Grill & Bar ("Chili's") and Maggiano's Little Italy ("Maggiano's") restaurant brands. At June 27, 2012, we owned, operated, or franchised 1,581 restaurants in the United States and 31 countries and two territories outside of the United States.

We sold On The Border Mexican Grill & Cantina ("On The Border") to OTB Acquisition LLC ("OTB Acquisition"), an affiliate of San Francisco-based Golden Gate Capital, in June 2010. On The Border has been presented as discontinued operations in the consolidated financial statements. See Note 2 for additional disclosures.

(b) 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 have a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal years 2012 and 2011, which ended on June 27, 2012 and June 29, 2011, respectively, each contained 52 weeks. Fiscal year 2010 ended on June 30, 2010 and contained 53 weeks.

We report certain labor and related expenses in a separate caption on the consolidated statements of income titled restaurant labor. Restaurant labor includes all compensation-related expenses, including benefits and incentive compensation, for restaurant team members at the general manager level and below. Labor-related expenses attributable to multi-restaurant (or above-restaurant) supervision is included in restaurant expenses.

(c) 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.

(d) 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 the opening of such restaurant. Fees received for development arrangements are recognized as income upon payment of the fees. 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 revenue when the gift card is redeemed by the holder. Breakage income represents the value associated with the portion of gift cards sold that will most likely never be redeemed. Based on our historical gift card redemption patterns and considering our gift cards have no expiration dates or dormancy fees, we can reasonably estimate the amount of gift cards for which redemption is remote and record breakage income based on this estimate. We recognize breakage income within Revenues in the consolidated statements of income. We update our estimate of our breakage rate periodically and, if necessary, adjust the deferred revenue balance accordingly.

(e) Fair Value Measurements

Fair value is defined as the price that we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants on the measurement date. In determining fair value, the accounting standards establish a three level hierarchy for inputs used in measuring fair value, as follows:

- Level 1—inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2—inputs are observable for the asset or liability, either directly or indirectly, including quoted prices in active markets for similar assets or liabilities.
- Level 3—inputs are unobservable and reflect our own assumptions.

(f) Cash and Cash Equivalents

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.

(g) Accounts Receivable

Accounts receivable, net of the allowance for doubtful accounts, represents their estimated net realizable value. Provisions for doubtful accounts are recorded based on management’s judgment regarding our ability to collect as well as the age of the receivables. Accounts receivable are written off when they are deemed uncollectible.

(h) Inventories

Inventories consist of food, beverages and supplies. During fiscal 2012, we began the implementation of a new restaurant information system for all company-owned Chili’s restaurants. Inventories located at the converted restaurants are valued using the first-in, first-out or “FIFO” method. All other inventories are stated at the lower of cost (weighted average cost method) or market. The change in inventory valuation methods did not have a material impact on our financial statements.

(i) Property and Equipment

Property and equipment is stated at cost. Buildings and leasehold improvements are depreciated using the straight-line method over the lesser of the life of the lease, including renewal options, or the estimated useful lives of the assets, which range from 5 to 20 years. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Routine repair and maintenance costs are expensed when incurred. Major replacements and improvements are capitalized.

We review the carrying amount of property and equipment semi-annually or when events or circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. We determine fair value based on projected discounted future operating cash flows of the restaurants over their remaining service life using a risk adjusted discount rate that is commensurate with the risk inherent in our current business model. Impairment charges are included in other gains and charges in the consolidated statements of income.

(j) 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 and rent expense includes the rent holiday period, which is the period of time between taking control of a leased site and the rent commencement date. 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 lesser of the lease term, including renewal options, or 20 years.

(k) Advertising

Advertising production costs are expensed in the period when the advertising first takes place. Other advertising costs are expensed as incurred. Advertising costs, net of advertising contributions from franchisees, were $80.4 million, $80.2 million and $80.6 million in fiscal 2012, 2011, and 2010, respectively, and are included in restaurant expenses in the consolidated statements of income.

(l) Goodwill

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. Goodwill has been assigned to reporting units for purposes of impairment testing. Our two restaurant brands, Chili's and Maggiano's, are both reporting units and operating segments. We have established that the appropriate level to evaluate goodwill is at the operating segment level. The menu items, services offered and food preparation are virtually identical at each restaurant within the reporting unit and our targeted customer is consistent across each brand. We maintain a centralized purchasing department which manages all purchasing and distribution for our restaurants. In addition, contracts for our food supplies are negotiated at a consolidated level in order to secure the best prices and maintain similar quality across all of our brands. Local laws, regulations and other issues may result in slightly different legal and regulatory environments; however, the overall regulatory climate within and across our operating segments is quite similar. As such, we believe that aggregating components is appropriate for the evaluation of goodwill.

Goodwill impairment tests consist of a comparison of each reporting unit's fair value with its carrying value. We determine fair value based on a combination of market based values and projected discounted future operating cash flows of the restaurant brands using a risk adjusted discount rate that is commensurate with the risk inherent in our current business model. If the carrying value of a reporting unit exceeds its fair value, goodwill is written down to its implied fair value. We determined that there was no goodwill impairment during our annual test and no indicators of impairment were identified through the end of fiscal year 2012. See Note 5 for additional disclosures related to goodwill.

We have occasionally acquired restaurants from our franchisees. Goodwill from these acquisitions represents the excess of the cost of a business acquired over the net amounts assigned to assets acquired, including identifiable intangible assets, primarily reacquired franchise rights. In connection with the sale of restaurants, we have allocated goodwill from the reporting unit, or restaurant brand, to the disposal group in the determination of the gain or loss on the disposition. The allocation was based on the relative fair values of the disposal group and the portion of the reporting unit that was retained. We have recognized reacquired rights in connection with previous business combinations; however, we have not sold any restaurants acquired in those combinations. When we have disposed a restaurant brand and all related restaurants, the entire goodwill balance associated with the reporting unit or brand has been included in the disposal group for purposes of determining the gain or loss on the disposition.

(m) Liquor Licenses

The costs of obtaining non-transferable liquor licenses from local government agencies are expensed over the specified term of the license. The costs of purchasing transferable liquor licenses through open markets in jurisdictions with a limited number of authorized liquor licenses are capitalized as indefinite-lived intangible assets and included in other assets. Liquor licenses are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(n) Sales Taxes

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

(o) 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 and other liabilities include the estimated incurred but unreported costs to settle unpaid claims and estimated future claims.

(p) Income Taxes

Income taxes are accounted for under the asset and liability method. 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.

(q) Stock-Based Compensation

We measure and recognize compensation cost at fair value for all share-based payments, including stock options. 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).

Certain employees are eligible to receive stock options, performance shares, restricted stock and restricted stock units, while non-employee members of the Board of Directors are eligible to receive stock options, restricted stock and restricted stock units. Performance shares represent a right to receive shares of common stock upon satisfaction of performance goals 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 are based on our closing stock price on the date of grant.

Stock-based compensation expense from continuing operations totaled approximately $13.5 million, $13.4 million and $15.8 million for fiscal 2012, 2011 and 2010, respectively. The total income tax benefit recognized in the consolidated statements of income related to stock-based compensation expense from continuing operations was approximately $5.1 million, $5.7 million and $5.3 million during fiscal 2012, 2011 and 2010, respectively.

The weighted average fair values of option grants were $9.35, $7.20 and $6.04 during fiscal 2012, 2011 and 2010, respectively. The fair value of stock options is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2012	2011	2010
Expected volatility	56.7%	55.6%	53.7%
Risk-free interest rate	0.9%	1.6%	2.5%
Expected lives	5 years	5 years	5 years
Dividend yield	2.6%	3.1%	3.1%

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 Treasury Note with a term equal to the expected life of the stock options.

(r) 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 27, 2012, no preferred shares were issued.

(s) Shareholders' Equity

Our Board of Directors has authorized a total of $2,885.0 million of share repurchases. We repurchased approximately 11.1 million shares of our common stock for $287.3 million during fiscal 2012. As of June 27, 2012, approximately $160 million was available under our share repurchase authorizations. Our stock repurchase plan has been and will be used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. We evaluate potential share repurchases under our plan based on several factors, including our cash position, share price, operational liquidity, proceeds from divestitures, borrowings and planned investment and financing needs. Repurchased common stock is reflected as a reduction of shareholders' equity. During fiscal 2012, approximately 2.0 million stock options were exercised resulting in cash proceeds of $43.4 million.

We paid dividends of $50.1 million to common stock shareholders during fiscal 2012, compared to $53.2 million in the prior year. Additionally, we declared a quarterly dividend of $11.9 million, or $0.16 per share, in June 2012 which was paid on June 28, 2012.

(t) 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 2012, 2011 and 2010 comprehensive income consists of net income.

(u) 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 and restricted share awards, determined using the treasury stock method. We had approximately 287,000 stock options and restricted share awards outstanding at June 27, 2012, 1.7 million stock options and restricted share awards outstanding at June 29, 2011, and 6.9 million stock options and restricted share awards outstanding at June 30, 2010 that were not included in the dilutive earnings per share calculation because the effect would have been antidilutive.

(v) 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. Two or more operating segments may be aggregated into a single operating segment if they have similar economic characteristics and are similar in the following areas:

- The nature of products and services
- Nature of production processes
- Type or class of customer

- Methods used to distribute products or provide services
- The nature of the regulatory environment, if applicable

Our two brands have similar types of products, contracts, customers and employees and all operate as full-service restaurants offering lunch and dinner in the casual-dining segment of the industry. In addition, we have similar long-term average margins across our brands. Therefore, we believe we meet the criteria for aggregating operating segments into a single reporting segment.

2. DISCONTINUED OPERATIONS

In June 2010, we completed the sale of On The Border for gross proceeds of approximately $180 million and recorded a pre-tax gain of $16.5 million in income from discontinued operations, net of taxes, in the consolidated statement of income in fiscal 2010. The assets sold totaled approximately $164.0 million and consisted primarily of property and equipment of $146.7 million and goodwill of $5.8 million. The associated liabilities totaled approximately $9.9 million and consisted primarily of straight-line rent accruals of $9.3 million.

As part of the sale, we entered into an agreement with OTB Acquisition whereby we provided corporate support services for the new entity during fiscal 2011 until the agreement terminated in June 2011. The income generated offset the internal cost of providing the services.

On The Border has been presented as discontinued operations in the consolidated financial statements in fiscal 2010. Discontinued operations includes only the revenues and expenses which can be specifically identified with On The Border and excludes any allocation of corporate costs, including general and administrative expenses. The results of On The Border for fiscal 2010 consist of the following (in thousands):

Revenues	$331,247
Income before income taxes from discontinued operations	51,488
Income tax expense	17,506
Net income from discontinued operations(a)	$ 33,982

(a) Other gains and charges, net of taxes, was a gain of $8.4 million.

Other gains and charges in fiscal 2010 included a $16.5 million gain on the sale of On The Border, partially offset by $2.9 million of charges related to long-lived asset impairments and lease termination charges primarily associated with the closure of three underperforming restaurants.

3. INVESTMENTS AND OTHER DISPOSITIONS

(a) Investments

We have a joint venture agreement with CMR, S.A.B. de C.V. to develop 50 Chili’s restaurants in Mexico. We made a $1.6 million capital contribution to the joint venture in fiscal 2011. At June 27, 2012, 28 Chili’s restaurants were operating in the joint venture.

In fiscal 2011, we entered into an agreement with BTTO Participacoes Ltda (“BTTO”) for a joint venture investment in a new company to develop five Chili’s restaurants in Brazil. We made capital contributions of $1.6 million and $1.3 million to the joint venture during fiscal 2012 and 2011, respectively. The first restaurant opened in September 2011. We accounted for this investment under the equity method of accounting until April 2012 when we purchased BTTO’s interest in the joint venture for approximately $1.5 million and began consolidating the entity’s results.

In fiscal 2009, we sold Romano's Macaroni Grill ("Macaroni Grill") to Mac Acquisition LLC ("Mac Acquisition"), an affiliate of Golden Gate Capital. As of June 27, 2012 and June 29, 2011, we held a 15.6% ownership interest in the new entity.

We account for the Mexico joint venture and Mac Grill investment under the equity method of accounting and record our share of the net income or loss of the investees within operating income since their operations are similar to our ongoing operations. These amounts have been included in restaurant expense in our consolidated statements of income due to the immaterial nature of the amounts.

(b) Other Dispositions

During fiscal 2010, we sold 21 restaurants to a franchisee for $19.0 million in cash and recorded a gain of $2.8 million in other gains and charges in the consolidated statements of income.

4. OTHER GAINS AND CHARGES

	2012	2011	2010
Restaurant impairment charges	$ 3,139	$ 1,937	$19,789
Restaurant closure charges	4,655	4,515	13,409
Impairment of liquor licenses	2,641	0	0
Severance and other benefits	0	5,034	1,887
Gains on the sale of assets, net (see Note 3)	(3,306)	(2,100)	(4,878)
Other gains and charges, net	1,845	1,397	(1,722)
	$ 8,974	$10,783	$28,485

We recorded impairment charges for the excess of the carrying amount of property and equipment over the fair value related to underperforming restaurants that are continuing to operate. Restaurant impairment charges were $3.1 million, $1.9 million and $19.8 million during fiscal 2012, 2011 and 2010, respectively. Additionally, we recorded $2.6 million of impairment charges for the excess of the carrying amount of certain transferable liquor licenses over the fair value. See Note 10 for fair value disclosures related to the fiscal 2012 and 2011 charges.

In fiscal 2012, we recorded $4.7 million in charges, including $3.2 million of lease termination charges and $0.4 million of long-lived asset impairment charges resulting from closures.

In fiscal 2011, we recorded $4.5 million in charges, including $3.0 million in lease termination charges associated with restaurants closed in prior years.

In fiscal 2010, we recorded $13.4 million in charges primarily related to long-lived asset impairments resulting from the decision to close nine underperforming restaurants. The charges included $5.4 million of long-lived asset impairments and $4.0 million in lease termination charges. Also included is $2.4 million in lease termination charges related to restaurants closed in prior years.

During fiscal 2011 and 2010, we made organizational changes designed to streamline decision making and support our strategic goals and evolving business model. We incurred $5.0 million and $1.9 million in severance and other benefits resulting from these actions in fiscal 2011 and 2010, respectively. The severance charges are net of income related to the forfeiture of stock-based compensation awards.

5. GOODWILL

The changes in the carrying amount of goodwill for the fiscal years ended June 27, 2012 and June 29, 2011 are as follows (in thousands):

	2012	2011
Balance at beginning of year:		
Goodwill	$186,923	$186,923
Accumulated impairment losses(a)	(62,834)	(62,834)
	124,089	124,089
Changes in goodwill:		
Additions(b)	1,515	0
Balance at end of year:		
Goodwill	188,438	186,923
Accumulated impairment losses	(62,834)	(62,834)
	$125,604	$124,089

(a) The impairment losses recorded in prior years are related to restaurant brands that we no longer own.
(b) Additions reflect goodwill acquired as a result of the purchase of restaurants from a franchisee.

6. ACCRUED AND OTHER LIABILITIES

Accrued liabilities consist of the following (in thousands):

	2012	2011
Payroll	$ 87,414	$ 91,935
Gift cards	86,332	79,837
Sales tax	18,785	19,234
Insurance	17,130	25,138
Property tax	14,257	15,844
Dividends	11,948	11,609
Other	38,018	43,768
	$273,884	$287,365

Other liabilities consist of the following (in thousands):

	2012	2011
Straight-line rent	$ 57,418	$ 55,180
Insurance	41,332	42,674
Landlord contributions	26,260	28,420
Unrecognized tax benefits	4,722	5,245
Other	6,828	5,966
	$136,560	$137,485

7. INCOME TAXES

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

	2012	2011	2010
Current income tax expense:			
Federal	$27,707	$16,596	$ 36,493
State	7,056	1,694	9,055
Foreign	5,098	2,046	1,904
Total current income tax expense	39,861	20,336	47,452
Deferred income tax expense (benefit):			
Federal	16,520	20,507	(15,773)
State	1,196	1,426	(3,415)
Total deferred income tax expense (benefit)	17,716	21,933	(19,188)
	$57,577	$42,269	$ 28,264

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):

	2012	2011	2010
Income tax expense at statutory rate	$ 73,083	$ 64,165	$ 46,196
FICA tax credit	(16,609)	(15,779)	(16,625)
State income taxes, net of Federal benefit	4,750	(316)	1,711
Other	(3,647)	(5,801)	(3,018)
	$ 57,577	$ 42,269	$ 28,264

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities as of June 27, 2012 and June 29, 2011 are as follows (in thousands):

	2012	2011
Deferred income tax assets:		
Leasing transactions	$ 41,393	$ 41,603
Stock-based compensation	12,577	15,320
Restructure charges and impairments	3,231	4,962
Insurance reserves	19,425	23,636
Employee benefit plans	577	591
Gift cards	11,296	9,369
Other, net	10,294	10,296
Total deferred income tax assets	98,793	105,777
Deferred income tax liabilities:		
Prepaid expenses	14,306	13,448
Goodwill and other amortization	23,879	22,297
Depreciation and capitalized interest on property and equipment	33,617	24,672
Other, net	3,842	3,471
Total deferred income tax liabilities	75,644	63,888
Net deferred income tax asset	$ 23,149	$ 41,889

A reconciliation of unrecognized tax benefits for the fiscal years ended June 27, 2012 and June 29, 2011 are as follows (in thousands):

	2012	2011
Balance at beginning of year	$ 9,142	$18,850
Additions based on tax positions related to the current year	927	1,199
Additions based on tax positions related to prior years	260	188
Settlements with tax authorities	0	(5,387)
Expiration of statute of limitations	(2,993)	(5,708)
Balance at end of year	$ 7,336	$ 9,142

The total amount of unrecognized tax benefits as of June 27, 2012 was $7.3 million ($5.0 million of which would favorably affect the effective tax rate if resolved in our favor due to the effect of deferred tax benefits). During the next twelve months, we anticipate that it is reasonably possible that the amount of unrecognized tax benefits could be reduced by approximately $0.6 million ($0.4 million of which would affect the effective tax rate due to the effect of deferred tax benefits) either because our tax position will be sustained upon audit or as a result of the expiration of the statute of limitations for specific jurisdictions.

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. During 2012 we recognized a benefit of approximately $0.3 million in interest. As of June 27, 2012, we had $2.9 million ($2.0 million net of a $0.9 million Federal deferred tax benefit) of interest and penalties accrued, compared to $3.0 million ($2.3 million net of a $0.7 million Federal deferred tax benefit) at June 29, 2011.

8. DEBT

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

	2012	2011
Term loan	$237,500	$185,000
5.75% notes	289,709	289,557
Revolving credit facility	40,000	0
Capital lease obligations (see Note 9)	48,015	50,106
	615,224	524,663
Less current installments	(27,334)	(22,091)
	$587,890	$502,572

In August 2011, we executed a revised unsecured senior credit facility increasing total capacity from $400 million to $500 million. The maturity date of the revised credit facility is August 2016. The revised facility includes a $250 million revolver and a $250 million term loan. In connection with the revision of the facility, we increased the term loan borrowings by $70.0 million. During fiscal 2012, we paid our required installments totaling $17.5 million bringing the outstanding balance to $237.5 million. In April 2012, $40 million was drawn from the revolver to fund share repurchases, none of which was repaid. As of June 27, 2012, we had $210 million of credit available under the revolver.

The revised term loan and revolving credit facility bear interest at LIBOR plus an applicable margin, which is a function of our credit rating and debt to cash flow ratio, but is subject to a maximum of LIBOR plus 2.50%. Based on our current credit rating, we are paying interest at a rate of LIBOR plus 1.63%. One month LIBOR at June 27, 2012 was approximately 0.25%.

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.

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 27, 2012 are as follows (in thousands):

Fiscal Year	Long-Term Debt
2013	$ 25,000
2014	314,709
2015	25,000
2016	25,000
2017	177,500
Thereafter	0
	$ 567,209

9. LEASES

(a) Capital Leases

We lease certain buildings under capital leases. The asset value of $39.4 million at June 27, 2012 and $39.8 million at June 29, 2011, and the related accumulated amortization of $16.2 million and $14.6 million at June 27, 2012 and June 29, 2011, 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 2093. 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 2012, 2011, and 2010 was $101.3 million, $101.0 million and $102.5 million, respectively. Contingent rent included in rent expense for fiscal 2012, 2011 and 2010 was $3.8 million, $4.1 million and $4.7 million, respectively.

(c) Commitments

As of June 27, 2012, future minimum lease payments on capital and operating leases were as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases
2013	$ 5,473	$ 100,287
2014	5,581	92,545
2015	5,692	81,617
2016	5,806	67,976
2017	5,709	44,992
Thereafter	47,690	102,219
Total minimum lease payments(a)	75,951	$ 489,636
Imputed interest (average rate of 7%)	(27,936)	
Present value of minimum lease payments	48,015	
Less current installments	(2,334)	
	$ 45,681	

(a) Future minimum lease payments have not been reduced by minimum sublease rentals due in the future under non-cancelable subleases. Sublease rentals are approximately $39.8 million and $55.7 million for capital and operating subleases, respectively.

10. FAIR VALUE DISCLOSURES

(a) Non-Financial Assets Measured on a Non-Recurring Basis

In fiscal 2012, assets primarily related to three underperforming restaurants with a carrying value of $4.7 million were written down to their fair value of $1.6 million resulting in an impairment charge of $3.1 million. In fiscal 2011, assets primarily related to three underperforming restaurants with a carrying value of $2.2 million were written down to their fair value of $0.3 million resulting in an impairment charge of $1.9 million. We determined fair value based on projected discounted future operating cash flows of the restaurants over their remaining service life using a risk adjusted discount rate that is commensurate with the risk inherent in our current business model.

In fiscal 2012, certain transferable liquor licenses with a carrying value of $6.7 million were written down to their fair value of $4.1 million resulting in an impairment charge of $2.6 million. We determined fair value based on prices in the open market for licenses in similar jurisdictions.

All impairment charges related to underperforming restaurants and liquor licenses were included in other gains and charges in the consolidated statement of income for the periods presented.

The following table presents fair values for those assets measured at fair value on a non-recurring basis at June 27, 2012 and June 29, 2011 (in thousands):

	Fair Value Measurements Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Long-lived assets held for use:				
At June 27, 2012	$ 0	$ 0	$ 1,586	$ 1,586
At June 29, 2011	$ 0	$ 0	$ 255	$ 255
Liquor licenses:				
At June 27, 2012	$ 0	$ 4,109	$ 0	$ 4,109

(b) Other Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The fair value of cash and cash equivalents, accounts receivable and accounts payable approximates their carrying amounts while the fair value of the 5.75% notes is based on quoted market prices. At June 27, 2012, the 5.75% notes had a carrying value of $289.7 million and a fair value of $310.2 million. At June 29, 2011, the 5.75% notes had a carrying value of $289.6 million and a fair value of $308.1 million.

11. STOCK-BASED COMPENSATION

Our shareholders approved stock-based compensation plans including the Stock Option and Incentive Plan and the Stock Option and Incentive Plan for Non-Employee Directors and Consultants (collectively, the “Plans”). The total number of shares authorized for issuance to employees and non-employee directors and consultants under the Plans is currently 35.3 million. 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 or to the date on which retirement eligibility is achieved, if shorter. Stock options generally vest over a period of 1 to 4 years and have contractual terms to exercise of 8 to 10 years. Full or partial vesting of awards may occur upon a change in control (as defined in the Plans), or upon an employee’s death, disability or involuntary termination.

Transactions during fiscal 2012 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, 2011	6,137	$ 21.77		
Granted	554	24.35		
Exercised	(2,027)	21.42		
Forfeited or canceled	(310)	24.51		
Options outstanding at June 27, 2012	4,354	$ 22.07	3.7	$36,625
Options exercisable at June 27, 2012	2,981	$ 22.69	2.4	$23,209

At June 27, 2012, unrecognized compensation expense related to stock options totaled approximately $4.2 million and will be recognized over a weighted average period of 2.0 years. The intrinsic value of options exercised totaled approximately $12.6 million, $5.5 million and $0.7 million during fiscal 2012, 2011 and 2010, respectively. The tax benefit realized on options exercised totaled approximately $4.8 million, $2.1 million and $0.3 million during fiscal 2012, 2011 and 2010, respectively.

(b) Restricted Share Awards

Restricted share awards consist of performance shares, restricted stock and restricted stock units. Performance shares and most restricted stock units issued to eligible employees under the Plans generally vest in full on the third anniversary of the date of grant, while restricted stock units issued to eligible employees under our career equity plan generally vest upon each employee’s retirement from the Company. Expense is recognized ratably over the vesting period, or to the date on which retirement eligibility is achieved, if shorter. Restricted stock and restricted stock units issued to non-employee directors under the Plans generally vest in full on the fourth anniversary of the date of grant or upon each director’s retirement from the Board and are expensed when granted. Full or partial vesting of awards may occur upon a change in control (as defined in the Plans), or upon an employee’s death, disability or involuntary termination.

Transactions during fiscal 2012 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, 2011	2,342	$ 14.03
Granted	665	20.12
Vested	(648)	17.12
Forfeited	(142)	15.45
Restricted share awards outstanding at June 27, 2012	2,217	$ 14.86

At June 27, 2012, unrecognized compensation expense related to restricted share awards totaled approximately $9.7 million and will be recognized over a weighted average period of 2.4 years. The fair value of shares that vested during fiscal 2012, 2011, and 2010 totaled approximately $11.5 million, $7.5 million and $9.6 million, respectively.

12. SAVINGS PLANS

We sponsor a qualified defined contribution retirement plan covering all employees who have attained the age of twenty-one and have completed one year and 1,000 hours of service. Eligible employees are allowed 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 2012, 2011, and 2010, we contributed approximately $6.7 million, $6.3 million, and $7.3 million, respectively.

We also sponsor 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 and bonus, 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. A Rabbi Trust is used to fund obligations of the non-qualified plan. The market value of the trust assets is included in other assets and the liability to plan participants is included in other liabilities.

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2012	2011	2010
Income taxes, net of refunds	$47,514	$38,340	$20,052
Interest, net of amounts capitalized	24,455	25,810	23,923

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

	2012	2011	2010
Retirement of fully depreciated assets	$77,249	$60,175	$45,854

14. CONTINGENCIES

In connection with the sale of restaurants to franchisees and brand divestitures, we have, in certain cases, guaranteed lease payments. As of June 27, 2012 and June 29, 2011, we have outstanding lease guarantees or are secondarily liable for $142.6 million and $166.1 million, respectively. 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 2013 through fiscal 2023. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of June 27, 2012.

In August 2004, certain current and former hourly restaurant team members filed a putative class action lawsuit against us in California Superior Court alleging violations of California labor laws with respect to meal periods and rest breaks. The lawsuit sought penalties and attorney’s fees and was certified as a class action by the trial court in July 2006. In July 2008, the California Court of Appeal decertified the class action on all claims with prejudice. In October 2008, the California Supreme Court granted a writ to review the decision of the Court of Appeal and oral arguments were heard by the California Supreme Court on November 8, 2011. On April 12, 2012, the California Supreme Court issued an opinion affirming in part, reversing in part, and remanding in part for further proceedings. The California Supreme Court’s opinion resolved many of the legal standards for meal periods and rest breaks in our California restaurants and we intend to vigorously defend our position on the remaining issues upon remand to the trial court. It is not possible 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. Reserves have been established based on our best estimates of our potential liability in certain of these matters. Based upon consultation with legal counsel, Management 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.

15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table summarizes the unaudited consolidated quarterly results of operations for fiscal 2012 and 2011 (in thousands, except per share amounts):

	Fiscal Year 2012 Quarters Ended			
	Sept. 28	Dec. 28	March 28	June 27
Revenues	$ 668,402	$ 681,904	$ 742,045	$ 728,371
Income before provision for income taxes	$ 33,631	$ 50,265	$ 62,565	$ 62,348
Net income	$ 23,621	$ 35,674	$ 44,933	$ 47,004
Basic net income per share	$ 0.29	$ 0.45	$ 0.58	$ 0.63
Diluted net income per share	$ 0.28	$ 0.44	$ 0.56	$ 0.61
Basic weighted average shares outstanding	81,744	79,840	77,582	75,070
Diluted weighted average shares outstanding	83,583	81,655	79,735	77,682

	Fiscal Year 2011 Quarters Ended			
	Sept. 29	Dec. 29	March 30	June 29
Revenues	$ 654,893	$ 671,886	$ 717,119	$ 717,488
Income before provision for income taxes	$ 26,919	$ 45,426	$ 55,499	$ 55,485
Net income	$ 21,431	$ 37,464	$ 40,246	$ 41,919
Basic net income per share	$ 0.21	$ 0.41	$ 0.46	$ 0.50
Diluted net income per share	$ 0.21	$ 0.41	$ 0.45	$ 0.49
Basic weighted average shares outstanding	100,667	90,936	87,679	83,888
Diluted weighted average shares outstanding	101,556	92,111	89,647	85,906

Net income for fiscal year 2012 included lease termination charges of $0.5 million, $1.9 million and $0.8 million in the first, second and third quarters, respectively. Long-lived asset impairments of $1.1 million and $2.0 million were recorded in the second and fourth quarters, respectively. Additionally, net income also included $2.6 million of liquor license impairment charges in the fourth quarter. These charges were partially offset by net gains of $1.3 million and $2.0 million related to land sales in the first and fourth quarters, respectively.

Net income for fiscal year 2011 included severance charges of $2.8 million, $0.9 million and $1.0 million in the first, second and third quarters, respectively. Lease termination charges of $1.2 million, $0.8 million and $1.0 million were incurred in the first, second and fourth quarters, respectively. Net income also included long-lived asset impairments of $1.1 million and $0.8 million in the second and fourth quarters, respectively.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Brinker International, Inc.:

We have audited the accompanying consolidated balance sheets of Brinker International, Inc. and subsidiaries ("the Company") as of June 27, 2012 and June 29, 2011, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 27, 2012. 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, 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 27, 2012 and June 29, 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended June 27, 2012 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 Company's internal control over financial reporting as of June 27, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 27, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Dallas, TX

August 27, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Brinker International, Inc.:

We have audited Brinker International, Inc. and subsidiaries' ("the Company") internal control over financial reporting as of June 27, 2012, 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, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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, the Company maintained, in all material respects, effective internal control over financial reporting as of June 27, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by 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 27, 2012 and June 29, 2011, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 27, 2012, and our report dated August 27, 2012 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Dallas, TX
August 27, 2012

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 estimate 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 27, 2012 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 27, 2012.

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 are 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.

The effectiveness of our internal control over financial reporting as of June 27, 2012 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its attestation report which is included herein.

/s/ DOUGLAS H. BROOKS

DOUGLAS H. BROOKS
President and Chief Executive Officer

/s/ GUY J. CONSTANT

GUY J. CONSTANT
Executive Vice President and Chief Financial Officer

Exhibit 21

BRINKER INTERNATIONAL, INC., A DELAWARE CORPORATION
SUBSIDIARIES

BRINKER RESTAURANT CORPORATION, a Delaware corporation
BRINKER INTERNATIONAL PAYROLL COMPANY, L.P., a Delaware limited partnership
BRINKER ALABAMA, INC., a Delaware corporation
BRINKER ARKANSAS, INC., a Delaware corporation
BRINKER FLORIDA, INC., a Delaware corporation
BRINKER FREEHOLD, INC., a New Jersey corporation
BRINKER GEORGIA, INC., a Delaware corporation
BRINKER LOUISIANA, INC., a Delaware corporation
BRINKER MHC B.V., a Netherlands private company
BRINKER MICHIGAN, INC., a Delaware corporation
BRINKER MISSISSIPPI, INC., a Delaware corporation
BRINKER MISSOURI, INC., a Delaware corporation
BRINKER NEVADA, INC., a Nevada corporation
BRINKER NEW JERSEY, INC., a Delaware corporation
BRINKER NORTH CAROLINA, INC., a Delaware corporation
BRINKER OF BALTIMORE COUNTY, INC., a Maryland corporation
BRINKER OF CARROLL COUNTY, INC., a Maryland corporation
BRINKER OF CECIL COUNTY, INC., a Maryland corporation
BRINKER OKLAHOMA, INC., a Delaware corporation
BRINKER PENN TRUST, a Pennsylvania business trust
BRINKER SERVICES CORPORATION, a Florida corporation
BRINKER TEXAS, INC., a Delaware corporation
BRINKER VIRGINIA, INC., a Delaware corporation
CHILI’S BEVERAGE COMPANY, INC., a Texas corporation
CHILI’S, INC., a Delaware corporation
CHILI’S, INC., a Tennessee corporation
CHILI’S INTERNATIONAL BASES, B.V., a Netherlands private company
CHILI’S OF BEL AIR, INC., a Maryland corporation
CHILI’S OF KANSAS, INC., a Kansas corporation
CHILI’S OF MARYLAND, INC., a Maryland corporation
CHILI’S OF WEST VIRGINIA, INC., a West Virginia corporation
MAGGIANO’S, INC., an Illinois corporation
MAGGIANO’S BEVERAGE COMPANY, a Texas corporation
MAGGIANO’S HOLDING CORPORATION, a Delaware corporation
MAGGIANO’S OF TYSON’S, INC., a Virginia corporation
MAGGIANO’S TEXAS, INC., a Delaware corporation
BRINKER CB MANAGEMENT, LLC, a Delaware limited liability company
BRINKER CB, LP, a Texas limited partnership
BRINKER PURCHASING, INC., a Delaware corporation
BIPC MANAGEMENT, LLC, a Delaware limited liability company
BIPC INVESTMENTS, LLC, a Delaware limited liability company
BRINKER BRAZIL, LLC, a Delaware limited liability company
BRINKER INTERNATIONAL GOLF CLASSIC, a Texas non-profit corporation
BRINKER FAMILY FUND, INC., a Delaware non-profit corporation

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Brinker International, Inc.:

We consent to the incorporation by reference in the Registration Statement Nos. 33-56491, 333-02201, 333-93755, 333-42224, 333-105720, 333-125289, and 333-157050 on Form S-8; Registration No. 333-74902 on Form S-3; and Registration Statement No. 333-116879 on Form S-4 of Brinker International, Inc. of our reports dated August 27, 2012, with respect to the consolidated balance sheets of Brinker International, Inc. as of June 27, 2012 and June 29, 2011, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 27, 2012, and the effectiveness of internal control over financial reporting as of June 27, 2012, which reports appear in the 2012 Annual Report to Shareholders on Form 10-K of Brinker International, Inc.

KPMG LLP

Dallas, Texas

August 27, 2012

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.

Dated: August 27, 2012

/S/ DOUGLAS H. BROOKS

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

Exhibit 31(b)

CERTIFICATION

I, Guy J. Constant, 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.

Dated: August 27, 2012

/S/ GUY J. CONSTANT

Guy J. Constant
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 27, 2012 (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 27, 2012

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 27, 2012 (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 27, 2012

By:	/s/ GUY J. CONSTANT
Name:	Guy J. Constant
Title:	Executive Vice President and Chief Financial Officer (Principal Financial Officer)