UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-Q

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

SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 24, 2004

Commission File Number 1-10275

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

Yes _X_ No _____

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

Yes _X_ No _____

Number of shares of common stock of registrant outstanding at March 24, 2004: 96,376,432

BRINKER INTERNATIONAL, INC.

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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

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

	March 24, 2004 (Unaudited)	June 25, 2003
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 94,731	$ 33,492
Accounts receivable	31,708	34,619
Inventories	24,045	24,403
Prepaid expenses and other	86,052	73,686
Deferred income taxes	13,915	267
Total current assets	250,451	166,467
Property and Equipment, at cost:		
Land	280,431	269,212
Buildings and leasehold improvements	1,320,707	1,245,546
Furniture and equipment	644,981	588,815
Construction-in-progress	54,796	71,913
	2,300,915	2,175,486
Less accumulated depreciation and amortization	(772,099)	(675,914)
Net property and equipment	1,528,816	1,499,572
Other Assets:		
Goodwill	158,068	185,068
Other	94,928	92,183
Total other assets	252,996	277,251
Total assets	$2,032,263	$1,943,290
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 17,595	$ 17,629
Accounts payable	94,283	108,068
Accrued liabilities	202,216	176,583
Income taxes payable	57,343	7,931
Total current liabilities	371,437	310,211
Long-term debt, less current installments	355,587	353,785
Deferred income taxes	48,606	55,096
Other liabilities	93,563	83,948
Contingencies (Note 7)		
Shareholders' Equity:		
Common stock - 250,000,000 authorized shares; $0.10 par value; 117,499,541 shares issued and 96,376,432 shares outstanding at March 24, 2004, and 117,499,541 shares issued and 97,854,952 shares outstanding at June 25, 2003	11,750	11,750
Additional paid-in capital	348,635	344,486
Accumulated other comprehensive income	675	609
Retained earnings	1,212,781	1,123,337
	1,573,841	1,480,182
Less:		
Treasury stock, at cost (21,123,109 shares at March 24, 2004 and 19,644,589 shares at June 25, 2003)	(409,013)	(337,946)
Unearned compensation	(1,758)	(1,986)
Total shareholders' equity	1,163,070	1,140,250
Total liabilities and shareholders' equity	$2,032,263	$1,943,290

See accompanying notes to consolidated financial statements.

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

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	March 24, 2004	March 26, 2003	March 24, 2004	March 26, 2003
Revenues	$ 931,922	$ 840,776	$ 2,689,310	$ 2,409,178
Operating Costs and Expenses:				
Cost of sales	255,759	231,054	740,878	659,151
Restaurant expenses	508,724	461,360	1,485,112	1,322,855
Depreciation and amortization	44,842	40,380	130,617	116,238
General and administrative	39,417	34,810	109,339	99,131
Restructure charges and other impairments	66,501	-	68,535	9,454
Total operating costs and expenses	915,243	767,604	2,534,481	2,206,829
Operating income	16,679	73,172	154,829	202,349
Interest expense	2,722	3,730	8,973	10,151
Other, net	1,103	237	1,973	(593)
Income before provision for income taxes	12,854	69,205	143,883	192,791
Provision for income taxes	12,116	23,045	54,439	64,402
Net income	$ 738	$ 46,160	$ 89,444	$ 128,389
Basic net income per share	$ 0.01	$ 0.48	$ 0.93	$ 1.32
Diluted net income per share	$ 0.01	$ 0.47	$ 0.91	$ 1.30
Basic weighted average shares outstanding	95,973	97,025	96,510	96,996
Diluted weighted average shares outstanding	98,007	98,901	98,351	98,988

See accompanying notes to consolidated financial statements.

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

	Thirty-Nine Week Periods Ended	
	March 24, 2004	March 26, 2003
Cash Flows from Operating Activities:		
Net income	$ 89,444	$ 128,389
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	130,617	116,238
Restructure charges and other impairments	68,535	9,454
Deferred income taxes	(20,138)	18,955
Amortization of deferred costs	7,032	8,961
Gain on sale of assets	(2,452)	-
Changes in assets and liabilities:		
Receivables	2,215	(7,622)
Inventories	78	838
Prepaid expenses and other	6,041	2,699
Other assets	(3,804)	3,103
Current income taxes	49,412	42,325
Accounts payable	(13,785)	(25,016)
Accrued liabilities	24,852	5,555
Other liabilities	13,362	2,935
Net cash provided by operating activities	351,409	306,814
Cash Flows from Investing Activities:		
Payments for property and equipment	(224,321)	(245,093)
Proceeds from sale of assets	7,704	-
Issuance of loan to affiliate	(2,800)	(3,800)
Net repayments of advances to affiliates	644	146
Investment in equity method investees	-	(1,750)
Repayment of note receivable from affiliate	-	11,000
Net cash used in investing activities	(218,773)	(239,497)
Cash Flows from Financing Activities:		
Net payments on credit facilities	-	(34,300)
Purchases of treasury stock	(105,248)	(53,333)
Proceeds from issuances of treasury stock	35,951	21,354
Payments on long-term debt	(2,100)	(1,934)
Net cash used in financing activities	(71,397)	(68,213)
Net change in cash and cash equivalents	61,239	(896)
Cash and cash equivalents at beginning of period	33,492	10,091
Cash and cash equivalents at end of period	$ 94,731	$ 9,195

See accompanying notes to consolidated financial statements.

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

1. BASIS OF PRESENTATION

The consolidated financial statements of Brinker International, Inc. and its wholly-owned subsidiaries (collectively, the "Company") as of March 24, 2004 and June 25, 2003 and for the thirteen week and thirty-nine week periods ended March 24, 2004 and March 26, 2003, have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The Company owns, operates, or franchises various restaurant concepts under the names of Chili's Grill & Bar ("Chili's"), Romano's Macaroni Grill ("Macaroni Grill"), Maggiano's Little Italy ("Maggiano's"), On The Border Mexican Grill & Cantina ("On The Border"), Corner Bakery Cafe ("Corner Bakery"), and Big Bowl Asian Kitchen ("Big Bowl"). In addition, the Company owns an approximate 43% interest in the legal entities owning and developing Rockfish Seafood Grill ("Rockfish"). During the second quarter of fiscal 2004, the Company sold the remaining fifteen Cozymel's Coastal Grill ("Cozymel's") restaurants.

The information furnished herein reflects all adjustments (consisting only of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly state the interim operating results for the respective periods. However, these operating results are not necessarily indicative of the results expected for the full fiscal year. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States have been omitted pursuant to SEC rules and regulations. The notes to the consolidated financial statements (unaudited) should be read in conjunction with the notes to the consolidated financial statements contained in the June 25, 2003 Form 10-K. Management believes that the disclosures are sufficient for interim financial reporting purposes.

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform with fiscal 2004 classifications. These reclassifications have no effect on the Company's net income or financial position as previously reported.

2. STOCK OPTION PLANS

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

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	March 24, 2004	March 26, 2003	March 24, 2004	March 26, 2003
Net income - as reported	$ 738	$ 46,160	$ 89,444	$ 128,389
Add: Reported stock-based compensation expense, net of taxes	417	310	1,348	1,505
Deduct: Fair value based compensation expense, net of taxes	(4,730)	(4,311)	(14,242)	(13,342)
Net income - pro-forma	$ (3,575)	$ 42,159	$ 76,550	$ 116,552
Earnings per share:	-	-	-	-
Basic - as reported	$ 0.01	$ 0.48	$ 0.93	$ 1.32
Basic - pro-forma	$ (0.04)	$ 0.43	$ 0.79	$ 1.20
Diluted - as reported	$ 0.01	$ 0.47	$ 0.91	$ 1.30
Diluted - pro-forma	$ (0.04)	$ 0.43	$ 0.78	$ 1.18

3. RESTRUCTURE CHARGES AND OTHER IMPAIRMENTS

During the third quarter of fiscal 2004, the Company recorded a $33.8 million charge for long-lived asset impairments. The Company will close thirty restaurants including six Chili's, five Macaroni Grill, six On The Border, six Corner Bakery Cafe and seven Big Bowl restaurants. The decision to close the restaurants was the result of a comprehensive analysis performed during the third quarter that examined restaurants not meeting minimum return on investment thresholds and certain other operating performance criteria. During the fourth quarter of fiscal 2004, the Company expects to record an additional charge of approximately $7.0 to $9.0 million, primarily related to existing lease obligations associated with several of the closing restaurants. These lease charges will be recorded primarily during the fourth quarter in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which requires lease obligations to be recorded when a restaurant ceases operations.

As a result of the seven Big Bowl closings and a review of the brand's positioning and future development plans, the earnings forecast was revised and the Company recorded a goodwill impairment charge of $27.0 million during the third quarter of fiscal 2004. The fair value of Big Bowl was estimated using the present value of expected future cash flows.

During fiscal 2003, the Company entered into negotiations to sell all sixteen of its Cozymel's restaurants. The decision to discontinue growth and sell the brand required the Company to record asset impairment charges in fiscal 2003 totaling $20.3 million. After taking this charge, the carrying values of the assets to be sold were approximately $23.8 million as of June 25, 2003.

During the second quarter of fiscal 2004, the Company closed one Cozymel's restaurant and sold the remaining fifteen restaurants. In connection with the disposition, the Company received approximately $1.5 million in cash, $20.2 million in notes receivable, and recorded an impairment charge totaling $2.0 million during the second quarter of fiscal 2004.

During the fourth quarter of fiscal 2004, the Company settled all outstanding notes receivable related to the sale of Cozymel's and received a final cash payment of $14.5 million. As a result, the Company recorded an additional impairment charge of $5.7 million during the third quarter of fiscal 2004.

4. CONVERTIBLE DEBT

In October 2001, the Company issued $431.7 million of zero coupon convertible senior debentures (the "Debentures"), maturing on October 10, 2021, and received proceeds totaling approximately $250.0 million prior to debt issuance costs. The Debentures require no interest payments and were issued at a discount representing a yield to maturity of 2.75% per annum. The Debentures are redeemable at the Company's option beginning on October 10, 2004, and the holders of the Debentures may require the Company to redeem the Debentures on October 10, 2005, 2011 or 2016, and in certain other circumstances. In addition, each $1,000 Debenture is convertible into 18.08 shares of the Company's common stock if the stock's market price exceeds 120% of the accreted conversion price for at least 20 trading days during the first 30 trading days of each quarter, the Company exercises its option to redeem the Debentures, the credit rating of the Debentures is reduced below both Baa3 and BBB-, or upon the occurrence of certain specified corporate transactions. The market price of the Company's common stock has not exceeded 120% of the accreted conversion price for any quarter, including the fourth quarter of fiscal 2004, since the issuance of the Debentures. The conversion trigger price for the Company's first quarter of fiscal 2005 is $41.54.

5. SHAREHOLDERS' EQUITY

Pursuant to the Company's current stock repurchase plan, the Company repurchased approximately 3.3 million shares of its common stock for $105.2 million for year-to-date fiscal 2004. As of March 24, 2004, approximately 21.5 million shares of its common stock had been repurchased for $497.3 million under the previously approved $510.0 million stock repurchase plan. In April 2004, the Board of Directors authorized an increase in the stock repurchase plan of $500.0 million. The Company's stock repurchase plan will be used to minimize the dilutive impact of a potential conversion of the convertible debt and stock option exercises. The authorized increase brings the Company's total stock repurchase program to $1,010.0 million. The repurchased common stock is reflected as a reduction of shareholders' equity.

6. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest and income taxes for the first three quarters of fiscal 2004 and 2003 is as follows (in thousands):

	March 24, 2004	March 26, 2003
Interest, net of amounts capitalized	$ 2,805	$ 1,937
Income tax payments, net of refunds	25,530	3,122

Non-cash investing and financing activities for the first three quarters of fiscal 2004 and 2003 are as follows (in thousands):

	March 24, 2004	March 26, 2003
Issuance of notes for sale of Cozymel's	$ 14,455	$ -
Retirement of fully depreciated assets	7,785	153,865
Net (decrease) increase in fair value of interest rate swaps	(4,906)	8,764
Restricted common stock issued, net of forfeitures	2,379	4,644

7. CONTINGENCIES

In January 1996, the Company entered into a Tip Reporting Alternative Commitment agreement (the "Contract") with the Internal Revenue Service (the "IRS"). The Contract required the Company, among other things, to implement tip reporting educational programs for its hourly restaurant employees and to establish tip reporting procedures. The IRS has alleged that the Company did not meet the requirements of the Contract and has retroactively and unilaterally revoked it. As a result of the revocation, the IRS commenced an examination during fiscal 2004 of the Company's 2000 through 2002 calendar years, which involved interviews of current and former employees for the purpose of assessing employer-only Federal Insurance Contributions Act ("FICA") taxes on estimated unreported cash tips. The Company believes it has complied and continues to comply with all of the terms of the Contract and intends to vigorously contest the accuracy of any assessment that may be proposed and to assert that the Contract should be retroactively reinstated. It is not possible at this time to reasonably estimate the possible loss or range of loss, if any.

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

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

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

	13 Week Periods Ended		39 Week Periods Ended	
	Mar. 24, 2004	Mar. 26, 2003	Mar. 24, 2004	Mar. 26, 2003
Revenues	100.0 %	100.0 %	100.0 %	100.0 %
Operating Costs and Expenses:				
Cost of sales	27.4 %	27.5 %	27.5 %	27.4 %
Restaurant expenses	54.6 %	54.9 %	55.2 %	54.9 %
Depreciation and amortization	4.8 %	4.8 %	4.9 %	4.8 %
General and administrative	4.2 %	4.1 %	4.1 %	4.1 %
Restructure charges and other impairments	7.1 %	0.0 %	2.6 %	0.4 %
Total operating costs and expenses	98.1 %	91.3 %	94.3 %	91.6 %
Operating income	1.9 %	8.7 %	5.7 %	8.4 %
Interest expense	0.3 %	0.5 %	0.3 %	0.4 %
Other, net	0.2 %	0.0 %	0.1 %	0.0 %
Income before provision for income taxes	1.4 %	8.2 %	5.3 %	8.0 %
Provision for income taxes	1.3 %	2.7 %	2.0 %	2.7 %
Net income	0.1 %	5.5 %	3.3 %	5.3 %

The following table details the number of restaurant openings during the third quarter and fiscal year-to-date, total restaurants open at the end of the third quarter, and total projected openings in fiscal 2004.

	Third Quarter Openings		Year-to-Date Openings		Total Open at End Of Third Quarter		Total Projected Openings
	Fiscal 2004	Fiscal 2003	Fiscal 2004	Fiscal 2003	Fiscal 2004	Fiscal 2003	Fiscal 2004
Chili's:							
Company-owned	18	16	56	52	742	677	70
Franchised	3	5	16	15	220	203	17
Total	21	21	72	67	962	880	87
Macaroni Grill:							
Company-owned	5	3	16	15	209	189	18
Franchised	-	1	1	1	8	7	2
Total	5	4	17	16	217	196	20
Maggiano's	-	1	3	4	28	24	3
On The Border:							
Company-owned	2	-	2	4	116	115	3
Franchised	-	-	-	1	18	19	-
Total	2	-	2	5	134	134	3
Corner Bakery:							
Company-owned	-	3	2	8	86	81	5
Franchised	-	-	-	1	3	3	-
Total	-	3	2	9	89	84	5
Big Bowl	1	2	3	6	21	17	3
Rockfish Partnership	1	4	4	8	24	20	5
Grand Total	30	35	103	115	1,475	1,355	126

OVERVIEW OF OPERATIONS

Revenues for the third quarter and year-to-date of fiscal 2004 increased by 10.8% and 11.6%, respectively. These increases were primarily driven by the addition of company-owned restaurants, as capacity (measured by average-weighted sales weeks) increased for the third quarter and year-to-date by 7.6% and 9.0%, respectively. During the third quarter, the Company recorded a $33.8 million charge for long-lived asset impairments. The Company will close 30 restaurants including six Chili's, five Macaroni Grill, six On The Border, six Corner Bakery and seven Big Bowl restaurants. The decision to close the restaurants was the result of a comprehensive analysis performed during the third quarter that examined restaurants not meeting minimum return on investment thresholds and certain other operating performance criteria. As a result of the seven Big Bowl closings and a review of the brand's positioning and future development plans, the Company recorded a goodwill impairment charge of $27.0 million. During the fourth quarter of fiscal 2004, the Company settled all outstanding notes receivable related to the sale of Cozymel's and received a final cash payment of $14.5 million. As a result, the Company recorded an additional impairment charge of $5.7 million during the third quarter of fiscal 2004.

The fourth quarter of fiscal 2004 is a 14-week quarter. The Company estimates the extra week to contribute $0.05 to $0.07 to earnings per share. The following outlook is based on a 13-week versus 13-week basis. Revenues for the fourth quarter of fiscal 2004 are estimated to increase by 8% to 11%, driven primarily by capacity gains of 6% to 7%. Cost of sales is estimated to be 0.1% to 0.2% higher than last year due to the impact of higher beef and dairy costs. Restaurant expenses, excluding the prior year Cozymel's charge, are estimated to be 0.2% to 0.4% lower than last year as a result of increased sales leverage. General and administrative expenses are estimated to be 0.3% to 0.4% higher due primarily to increased headcount and wage rates. Additionally, during the fourth quarter of fiscal 2004, the Company expects to record an additional charge of $7.0 to $9.0 million, primarily related to existing lease obligations associated with the closing restaurants. The effective tax rate during the fourth quarter is estimated to be approximately 31.0%.

REVENUES

Revenues for the third quarter of fiscal 2004 increased to $931.9 million, 10.8% over the $840.8 million generated for the same quarter of fiscal 2003. Revenues for the thirty-nine week period ended March 24, 2004 rose 11.6% to $2,689.3 million from the $2,409.2 million generated for the same period of fiscal 2003. The increases were primarily attributable to a net increase of 84 company-owned restaurants since March 26, 2003 and an increase in comparable store sales for the third quarter and year-to-date of fiscal 2004 compared to the same periods of fiscal 2003. The Company increased its capacity for the third quarter and year-to-date of fiscal 2004 by 7.6% and 9.0%, respectively, compared to the respective prior year periods. Comparable store sales increased 3.2% and 2.6% for the third quarter and year-to-date, respectively, from the same periods of fiscal 2003. Menu prices in the aggregate increased 1.7% in fiscal 2004 as compared to fiscal 2003.

COSTS AND EXPENSES

Cost of sales, as a percent of revenues, decreased 0.1% for the third quarter of fiscal 2004 as compared to the same period of fiscal 2003. The decrease was due to a 1.8% increase in menu prices, a 0.2% decrease in commodity prices for poultry, and a 0.2% favorable product mix shift for meat and seafood, partially offset by a 1.0% increase in commodity prices for meat, seafood, produce, beverages, dairy and cheese and a 1.1% unfavorable product mix shift for poultry and beverages. Cost of sales, as a percent of revenues, increased 0.1% for year-to-date fiscal 2004 as compared to the same period of fiscal 2003. The increase was due to a 1.6% unfavorable product mix shift for poultry, produce, beverages, dairy and cheese, and a 0.8% increase in commodity prices for produce, beverages, dairy and cheese, partially offset by a 1.7% increase in menu prices, a 0.4% decrease in commodity prices for poultry, and a 0.2% favorable product mix shift for meat and seafood.

Restaurant expenses, as a percent of revenues, decreased 0.3% for the third quarter of fiscal 2004 as compared to the same period of fiscal 2003. The decrease was primarily due to a decrease in management labor, partially offset by increases in utility costs, property taxes and health, workers compensation and general liability insurance. Restaurant expenses, as a percent of revenues, increased 0.3% for year-to-date fiscal 2004 as compared to the same period of fiscal 2003. The increase was primarily due to increases in payroll taxes resulting from increased tip reporting, utility costs, and health, workers compensation and general liability insurance. These increases were partially offset by a $2.4 million gain recorded during the second quarter of fiscal 2004 as a result of the sale of four Chili's restaurants to a franchise partner and the sale of one real estate property.

Depreciation and amortization increased $4.5 million and $14.4 million for the third quarter and year-to-date fiscal 2004, respectively, as compared to the same periods of fiscal 2003. The increases in depreciation expense were due to new unit construction and ongoing remodel costs, partially offset by a declining depreciable asset base for older units.

General and administrative expenses increased $4.6 million and $10.2 million for the third quarter and year-to-date fiscal 2004, respectively, as compared to the same periods of fiscal 2003. The increases were primarily due to an increase in incentive based compensation and increased payroll costs resulting from an increase in headcount and wage rates, partially offset by decreases in costs resulting from the Company's continued focus on controlling corporate expenditures.

Restructure charges and other impairments recorded during the third quarter of fiscal 2004 include a $33.8 million charge for long-lived asset impairments, a goodwill impairment charge of $27.0 million related to Big Bowl, and a $5.7 million charge related to the settlement of all outstanding Cozymel's notes receivable. Restructure charges and other impairments recorded year-to-date fiscal 2004 include the charges previously mentioned, as well as a $2.0 million loss on the sale of Cozymel's recorded during the second quarter of fiscal 2004. Restructure charges and other impairments recorded year-to-date fiscal 2003 include $5.4 million resulting from the decision to close nine restaurants and to write down the assets of one under-performing restaurant and a $4.1 million impairment of intellectual property rights.

Interest expense decreased $1.0 million and $1.2 million for the third quarter and year-to-date fiscal 2004, respectively, as compared to the same periods of fiscal 2003. Decreases in interest expense primarily resulted from debt issuance costs related to the convertible debt being fully amortized in the second quarter of fiscal 2004 and lower average outstanding balances on the senior notes and revolving lines-of-credit. These decreases were partially offset by a decrease in capitalized interest due to lower interest rates.

Other, net increased approximately $1.0 million and $2.6 million for the third quarter and year-to-date fiscal 2004, respectively, as compared to the same periods of fiscal 2003. Increases in the Company's net savings plan obligations were partially offset by decreases in losses related to the Company's share in equity method investees and by gains from life insurance proceeds recorded in the first and second quarters of fiscal 2003 totaling $3.5 million.

INCOME TAXES

The Company's effective income tax rate increased to 94.3% from 33.3% for the third quarter of fiscal 2004 and to 37.8% from 33.4% year-to-date for fiscal 2004 as compared to the same periods of fiscal 2003. The increases are primarily due to the Big Bowl goodwill impairment charge, which is not deductible for tax purposes.

LIQUIDITY AND CAPITAL RESOURCES

The working capital deficit decreased from $143.7 million at June 25, 2003 to $121.0 million at March 24, 2004. Net cash provided by operating activities increased to $351.4 million for the first nine months of fiscal 2004 from $306.8 million during the same period in fiscal 2003 due to increased profitability before restructuring charges and other impairments, and the timing of operational receipts and payments. The Company believes that its various sources of capital, including availability under existing credit facilities, ability to raise additional financing, and cash flow from operating activities, are adequate to finance operations as well as the repayment of current debt obligations.

Payments of the Company's contractual obligations under outstanding indebtedness and the expiration of credit facilities as of March 24, 2004 are as follows:

Payments Due by Period
(in thousands)

	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 Years
Convertible debt (a)	$ 267,279	$ -	$ -	$ -	$ 267,279
Senior notes	30,172	14,300	15,872	-	-
Capital leases	61,870	3,455	6,778	7,126	44,511
Mortgage loan obligations	39,536	2,351	4,767	4,387	28,031
Operating leases	878,910	102,491	195,181	172,317	408,921

Amount of Credit Facility Expiration by Period
(in thousands)

	Total Commitment	Less than 1 year (c)	2-3 Years	4-5 Years	Over 5 Years
Credit facilities (b)	$ 325,000	$ 50,000	$ 275,000	$ -	$ -

(a) The convertible debt was issued at a discount representing a yield to maturity of 2.75% per annum. The $267.3 million balance is the accreted carrying value of the debt at March 24, 2004. The convertible debt will continue to accrete at 2.75% per annum and, if outstanding to maturity in October 2021, the obligation will total $431.7 million.

(b) There were no amounts outstanding under the credit facilities as of March 24, 2004.

(c) The portion of the credit facilities that expires in less than one year is an uncommitted obligation giving the lenders the option not to extend the Company funding. Should any or all of these obligations not be extended, the Company has adequate capacity under the committed facility, which does not expire until fiscal 2006.

Capital expenditures consist of purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, and ongoing remodeling programs. Capital expenditures were approximately $224.3 million for the first nine months of fiscal 2004 compared to $245.1 million for the same period of fiscal 2003. The decrease is due primarily to fewer restaurants under construction and fewer restaurants opened in the current period as compared to the same period in fiscal 2003. The Company estimates that its capital expenditures during the fourth quarter of fiscal 2004 will approximate $81.0 million. These capital expenditures will be funded entirely from operations and existing credit facilities.

During the fourth quarter of fiscal 2004, the Company settled all outstanding notes receivable related to the sale of Cozymel's and received a final cash payment totaling $14.5 million.

In connection with the restaurant closings in the fourth quarter of fiscal 2004, the Company expects to generate cash of approximately $13.0 million primarily related to the sale of real estate and tax benefits resulting from impairment charges.

Pursuant to the Company's current stock repurchase plan, the Company repurchased approximately 3.3 million shares of its common stock for $105.2 million for year-to-date fiscal 2004. As of March 24, 2004, approximately 21.5 million shares of its common stock had been repurchased for $497.3 million under the previously approved $510.0 million stock repurchase plan. In April 2004, the Board of Directors authorized an increase in the stock repurchase plan of $500.0 million. The Company's stock repurchase plan will be used to minimize the dilutive impact of a potential conversion of the convertible debt and stock option exercises. The authorized increase brings the Company's total stock repurchase program to $1,010.0 million. The repurchased common stock is reflected as a reduction of shareholders' equity.

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

CRITICAL ACCOUNTING POLICIES

The following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results, and that require significant judgment.

Property and Equipment

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

Impairment of Long-Lived Assets

The Company reviews property and equipment for impairment when events or circumstances indicate that the carrying amount of a restaurant's assets may not be recoverable. The Company tests for impairment using historical cash flows and other relevant facts and circumstances as the primary basis for its estimates of future cash flows. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment. In addition, at least annually the Company assesses the recoverability of goodwill and other intangible assets related to its restaurant concepts. These impairment tests require the Company to estimate fair values of its restaurant concepts by making assumptions regarding future cash flows, expected growth rates, terminal values, and other factors. These assumptions could be materially different than those used by a third party. In the event that these assumptions change in the future, the Company may be required to record impairment charges for these assets.

Financial Instruments

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

Self-Insurance

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

Item 4. CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing of this report, an evaluation was carried out under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective.

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

FORWARD-LOOKING STATEMENTS

The Company wishes to caution readers that the following important factors, among others, could cause the actual results of the Company to differ materially from those indicated by forward-looking statements made in this report and from time to time in news releases, reports, proxy statements, registration statements and other written communications, as well as verbal forward-looking statements made from time to time by representatives of the Company. Such forward-looking statements involve risks and uncertainties that may cause the Company's or the restaurant industry's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that might cause actual events or results to differ materially from those indicated by these forward-looking statements may include matters such as future economic performance, restaurant openings, operating margins, the availability of acceptable real estate locations for new restaurants, the sufficiency of the Company's cash balances and cash generated from operating and financing activities for the Company's future liquidity and capital resource needs, and other matters, and are generally accompanied by words such as "believes," "anticipates," "estimates," "predicts," "expects" and similar expressions that convey the uncertainty of future events or outcomes. An expanded discussion of some of these risk factors follows.

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

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

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

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

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

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

The Company is subject to federal and state environmental regulations, and although these have not had a material negative effect on the Company's operations, there can be no assurance that there will not be a material negative effect in the future. More stringent and varied requirements of local and state governmental bodies with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations.

The Company is subject to the Fair Labor Standards Act, which governs such matters as minimum wages, overtime and other working conditions, along with the Americans With Disabilities Act, various family leave mandates and a variety of other laws enacted, or rules and regulations promulgated, by federal, state and local governmental authorities that govern these and other employment matters. Although the Company expects increases in payroll expenses as a result of federal, state and local mandated increases in the minimum wage, and although such increases are not expected to be material, there can be no assurance that there will not be material increases in the future. However, the Company's vendors may be affected by higher minimum wage standards, which may result in increases in the price of goods and services supplied to the Company.

Inflation may increase the Company's operating expenses.

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

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

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

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

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

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

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

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

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

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is incorporated by reference from Note 7 to the Company's consolidated financial statements set forth in Part I of this report.

Item 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

Shares repurchased during the third quarter of fiscal 2004 are as follows (in thousands, except share and per share amounts):

	Total Number of Shares Purchased (a)	Average Price Paid per Share	Maximum Dollar Value that May Yet be Purchased Under the Program
December 25, 2003 through January 28, 2004	282,800	$33.45	$18,054
January 29, 2004 through February 25, 2004	148,200	$35.83	$12,739
February 26, 2004 through March 24, 2004	1,300	$38.24	$12,689
	432,300	$34.28	

(a) All of the shares purchased during the third quarter of fiscal 2004 were purchased as part of the publicly announced program described in Part I of this report.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

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

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

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

(b) Reports on Form 8-K

A current report on Form 8-K, dated January 20, 2004, was filed with the Securities and Exchange Commission on January 23, 2004. This Form 8-K furnished a copy of the Company's press release announcing its second quarter fiscal 2004 results.

SIGNATURES

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

BRINKER INTERNATIONAL, INC.

Date: May 7, 2004

By: /s/ Douglas H. Brooks
Douglas H. Brooks, President
and Chief Executive Officer
(Principal Executive Officer)

Date: May 7, 2004

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

EXHIBIT 31(a)

CERTIFICATIONS

I, Douglas H. Brooks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brinker International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2004

/s/ Douglas H. Brooks

Douglas H. Brooks
President and
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31(b)

CERTIFICATIONS

I, Charles M. Sonsteby, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Brinker International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2004

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

EXHIBIT 32(a)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarter ended March 24, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2004

By: /s/ Douglas H. Brooks
Douglas H. Brooks
President and
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32(b)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarter ended March 24, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2004

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