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 29, 2005 Commission File No. 1-10275

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.
$3,059,776,156

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 18, 2005
Common Stock, $0.10 par value	87,993,539 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report to Shareholders for the fiscal year ended June 29, 2005, are incorporated by reference into Part II hereof, to the extent indicated herein. Portions of the registrant's Proxy Statement for its annual meeting of shareholders on October 20, 2005, to be dated on or about September 9, 2005, are incorporated by reference into Part III hereof, to the extent indicated herein.

PART I

Item 1. BUSINESS.

General

Brinker International, Inc. (the "Company") is principally engaged in the ownership, operation, development and franchising of the Chili's Grill & Bar ("Chili's"), Romano's Macaroni Grill ("Macaroni Grill"), Maggiano's Little Italy ("Maggiano's"), On The Border Mexican Grill & Cantina ("On The Border"), and Corner Bakery Cafe ("Corner Bakery") restaurant concepts. Additionally, the Company owns an approximate 43% interest in the legal entities owning Rockfish Seafood Grill ("Rockfish"), which interests were acquired in July 2001 and October 2002. The Company was organized under the laws of the State of Delaware in September 1983 to succeed to the business operated by Chili's, Inc., a Texas corporation, organized in August 1977. The Company completed the acquisitions of Macaroni Grill, On The Border, Maggiano's, and Corner Bakery in November 1989, May 1994, August 1995, and August 1995, respectively.

Primary Restaurant Concepts

Chili's Grill & Bar

Chili's is a full-service restaurant, featuring a casual atmosphere and a varied menu of chicken, beef and seafood entrees, steaks, fajitas, sandwiches, salads, appetizers, desserts, and its legendary Big Mouth Burgers and Baby Back Ribs, all prepared fresh daily according to special Chili's recipes. The full-service Margarita Bar is available at each Chili's restaurant serving alcohol, with a variety of specialty margaritas, including the Presidente Margarita, offered as the concept's signature drink. Emphasis is placed on serving substantial portions of fresh, flavorful, and high quality food at modest prices.

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

Entree selections range in menu price from $5.99 to $14.99, with the average revenue per meal, including alcoholic beverages, approximating $12.03 per person. During the year ended June 29, 2005, food and non-alcoholic beverage sales constituted approximately 86.4% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 13.6%.

Romano's Macaroni Grill

Macaroni Grill is an exciting casual Italian restaurant that ignites the senses. Guests enjoy culinary masterpieces inspired by the Italian passion and culinary heritage of Macaroni Grill. Menu selections include signature pastas, grilled steak, seafood, salads and delicious desserts - all prepared by talented chefs in open kitchens. Macaroni Grill features brick ovens, festive string lights, fresh gladiolus, and a broad selection of house and premium wines. Guests are met with a sincere welcome at the door and enjoy warm, knowledgeable service. Additionally, guests enjoy the convenience of Macaroni Grill's Curbside To Go service. Delicious, chef-prepared meals are delivered right to their cars for them to enjoy at home.

Entree selections range in menu price from $9.49 to $19.99 with chef features priced separately. The average revenue per meal, including alcoholic beverages, is approximately $14.66 per person. During the year ended June 29, 2005, food and non-alcoholic beverage sales constituted approximately 87.5% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 12.5%.

Maggiano's Little Italy

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

Entree selections range in menu price from $8.95 to $37.95, with the average revenue per meal, including alcoholic beverages, approximating $25.00 per person. During the year ended June 29, 2005, food and non-alcoholic beverage sales constituted approximately 79.7% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 20.3%.

On The Border Mexican Grill & Cantina

On The Border is a full-service, national, casual-dining Mexican restaurant chain. On The Border's menu offers a wide variety of Mexican favorites and is best known for its fajitas and margaritas. On The Border also offers a variety of innovative menu items from Guacamole Live! to Shaken Margarita Shrimp Cocktail to a Red Chili Ribeye. As a full service restaurant, On The Border offers full bar service, in-restaurant dining and patio dining in all locations. On The Border also offers the convenience of a To-Go menu and To-Go entrance to expedite take-out service in all locations. In addition to To-Go, On The Border offers catering service from simple drop-off delivery to full-service event planning.

Entree selections range in menu price from $6.99 to $13.99, with the average revenue per meal, including alcoholic beverages, approximating $12.89 per person. During the year ended June 29, 2005, food and non-alcoholic beverage sales constituted approximately 81.3% of the concept's total restaurant revenues, with alcoholic beverage sales accounting for the remaining 18.7%.

Corner Bakery Cafe

Evolving over the years from one true bakery to a collection of destinations for people in their communities, Corner Bakery Cafe has grown into one of America's premiere quick-casual bakery cafes. Beneath recognizable black and white awnings, Corner Bakery Cafe serves breakfast, lunch, dinner and everything in between. Breakfast choices include egg scramblers, breakfast pastries and mixed-berry parfaits. Lunch and dinner feature hearty soups, fresh salads, delicious sandwiches, hot panini and decadent desserts. Corner Bakery Cafe's atmosphere allows guests to sit and relax or get their food to go quickly. Most cafes have both indoor seating and inviting outdoor patios. Corner Bakery Cafe's catering offers a wide variety of breakfast treats, fresh salads and unique sandwich choices for any size meeting or social event.

Prices for menu items range from $1.19 to $6.99 with the average revenue per meal approximating $7.44 per person. During the fiscal year ended June 29, 2005, food and non-alcoholic beverage sales constituted all of the concept's total restaurant revenues. Catering sales constituted approximately 21.2% of sales.

Jointly-Developed Concept

Rockfish Seafood Grill

Rockfish offers fresh, flavorful seafood dishes served in a fun, comfortable environment. Rockfish's decor features piney wood tables, river rock fireplaces and an open kitchen with chefs preparing the catch of the day. The restaurant serves a wide variety of reasonably priced seafood ranging from salmon and trout to shrimp and crab. Daily chalkboard specials featuring various seasonal items are also very popular with diners. In addition to items from the "Stream", Rockfish serves items from the "Field" like Louisiana Pot Roast and Campfire Smoked Ribs. Friendly, knowledgeable servers clad in Rockfish t-shirts and jeans add to the casual backdrop. All locations feature full-service bars and most have patio seating available.

Entree selections range in menu price from $5.87 to $16.42 with chalkboard specials priced on a daily basis. The average revenue per meal, including alcoholic beverages, is approximately $14.50 per person. During the year ended June 29, 2005, food and non-alcoholic beverage sales constituted approximately 86.5% of the concept's total revenues, with alcoholic beverage sales accounting for the remaining 13.5%.

Business Development

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

The Company considers the restaurant site selection process critical to its long-term success and devotes significant effort to the investigation of new locations utilizing a variety of sophisticated analytical techniques. The site selection process evaluates a variety of factors, 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; and supply and demand trends, such as proposed infrastructure improvements, new developments, and existing and potential competition. Members of each restaurant concept's executive management inspect, review and approve each restaurant site prior to its acquisition for that restaurant concept.

The Company periodically reevaluates restaurant sites to ensure that site selection attributes have not deteriorated below minimum standards. In the event site deterioration were to occur, the Company makes a concerted effort to improve the restaurant's performance by providing physical, operating and marketing enhancements unique to each restaurant's situation. If efforts to restore the restaurant's performance to acceptable minimum standards are unsuccessful, the Company considers relocation to a proximate, more desirable site, or evaluates closing the restaurant if the Company's measurement criteria, such as return on investment and area demographic trends, do not support relocation. Since inception, relating to the Company's primary restaurant concepts, the Company has closed 99 restaurants, including 22 in fiscal 2005, which were performing below the Company's standards primarily due to declining or shifting trade area demographics. The Company operates pursuant to a strategic plan targeted to support the Company's long-term growth objectives, with a focus on continued development of those restaurant concepts that have the greatest return potential for the Company and its shareholders.

The following table illustrates the system-wide restaurants opened in fiscal 2005 and the planned openings in fiscal 2006:

	Fiscal 2005 Openings	Fiscal 2006 Projected Openings
Chili's:		
Company-Operated	82	97-100
Franchise	26	25-30
Macaroni Grill:		
Company-Operated	18	6-7
Franchise	6	4-5
On The Border:		
Company-Operated	8	6-8
Franchise	0	3-4
Corner Bakery:		
Company-Operated	6	7-9
Franchise	0	0-1
Rockfish	0	0
Total	151	152-169

The Company anticipates that some of the fiscal 2006 projected restaurant openings may be constructed pursuant to "build-to-suit" agreements, in which the lessor contributes some or substantially all, of the building construction costs. In other cases, the Company may either lease or own the land (paying for any owned land from its own funds) and either lease or own the building, furniture, fixtures and equipment (paying for any owned items from its own funds).

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

	Chili's	Macaroni Grill	Maggiano's	On The Border	Corner Bakery
Land	$ 650,000	$ 1,000,000	$ 2,700,000	$ 850,000	$ 950,000
Building	1,207,000	1,462,000	3,600,000	1,320,000	435,000
Furniture & Equipment	500,000	550,000	1,200,000	520,000	303,000
Other	40,000	55,000	140,000	60,000	20,000
Total	$ 2,397,000	$ 3,067,000	$ 7,640,000	$ 2,750,000	$ 1,708,000

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

Franchise Operations

The Company also intends to continue its expansion through franchise development, both domestically and internationally. At June 29, 2005, 46 total franchise development or joint venture arrangements existed. During the year ended June 29, 2005, 26 Chili's franchised restaurants were opened, 14 Company-owned Chili's restaurants were sold to two franchisees, and 6 Macaroni Grill franchised restaurants were opened.

In fiscal 2005, of the 26 new Chili's franchised restaurants, 8 were kiosk locations. The first franchised Macaroni Grill airport location opened in Orlando, Florida, and the first franchised Macaroni Grill location in the Pacific Rim region opened in Taipei. Additionally, in connection with the sale of the Company-owned Chili's restaurants, the Company entered into two franchise development agreements for 18 Chili's restaurants over the next 7 years in Kentucky and parts of Illinois, Indiana and Tennessee, and for 20 Chili's restaurants over the next 6 years in parts of Alabama and Mississippi. The Company also entered into a franchise development agreement for 5 Macaroni Grill restaurants over the next 6 years in Hawaii.

The Company intends to selectively pursue domestic and international franchise expansion. A typical 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. Future franchise development agreements are expected to remain limited to enterprises having significant experience as restaurant operators and proven financial ability to develop multi-unit operations.

Jointly-Developed Operations

From time to time, the Company enters into agreements for research and development activities related to the testing of new restaurant concepts, typically acquiring a significant equity interest in such ventures. The Company's ownership interest in the legal entities owning the Rockfish restaurants is approximately 43%. At June 29, 2005, 21 Rockfish restaurants were operating, located in the states of Arizona, New Mexico, North Carolina, and Texas.

Restaurant Management

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

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

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

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

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

Purchasing

The Company's ability to maintain consistent quality of products throughout each of its restaurant concepts depends upon acquiring food and beverage products and related items from reliable sources. Suppliers are pre-approved by the Company and are required, along with the restaurants, to adhere to strict product specifications established through the Company's quality assurance program to ensure that high quality, wholesome food and beverage products are served in the restaurants. The Company negotiates directly with the major suppliers to obtain competitive prices and uses purchase commitment contracts to stabilize the potentially volatile pricing

associated with certain commodity items. All essential food and beverage products are available, or upon short notice can be made available, from alternative qualified suppliers to be delivered to the Company's restaurants. Because of the relatively rapid turnover of perishable food products, inventories in the restaurants, consisting primarily of food, beverages and supplies, have a modest aggregate dollar value in relation to revenues.

Advertising and Marketing

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

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

Employees

At June 29, 2005, the Company employed approximately 108,500 persons, of whom approximately 1,100 were corporate personnel, 6,400 were restaurant area directors, managers or trainees and 101,000 were employed in non-management restaurant positions. The executive officers of the Company have an average of over 16 years of experience in the restaurant industry.

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

Trademarks

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

Risk Factors/Forward-Looking Statements

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

"believes," "anticipates," "estimates," "predicts," "expects" and similar expressions that convey the uncertainty of future events or outcomes. An expanded discussion of some of these risk factors follows.

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

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

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

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

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

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

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

The Company is subject to the Fair Labor Standards Act, which governs such matters as minimum wages, overtime and other working conditions, along with the Americans With Disabilities Act, various family leave mandates and a variety of other laws enacted, or rules and regulations promulgated, by federal, state and local governmental authorities that govern these and other employment matters. The Company expects increases in payroll expenses as a result of federal, state and local mandated increases in the minimum wage, and although such increases are not expected to be material, the Company cannot assure that there will not be material increases in the future. In addition, the Company's vendors may be affected by higher minimum wage standards, which may increase the price of goods and services supplied to the Company.

Inflation may increase the Company's operating expenses.

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

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

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

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

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

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

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

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

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

Identification of material weakness in internal control may adversely affect the Company's financial results.

The Company is 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 which could indicate a lack of adequate controls to generate accurate financial statements. Though the Company routinely assesses its internal controls, there can be no assurance that the Company will be able to timely remediate material weaknesses, if any, that may be identified in future periods, or maintain all of the controls necessary for continued compliance. There likewise can be no assurance that the Company will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies.

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

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

Available Information

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

Item 2. PROPERTIES.

Restaurant Locations

At June 29, 2005, the Company's system of company-operated, jointly-developed and franchised units included 1,588 restaurants located in forty-nine states, Washington, D.C., Australia, Bahrain, Canada, Egypt, Great Britain, Germany, Guatemala, Indonesia, Japan, Kuwait, Lebanon, Malaysia, Mexico, Oman, Peru, Philippines, Puerto Rico, Qatar, Saudi Arabia, South Korea, Taiwan, United Arab Emirates, and Venezuela. The Company's portfolio of restaurants is illustrated below:

Chili's:	
Company-Operated	811
Franchise	263
Macaroni Grill:	
Company-Operated	220
Franchise	15
Maggiano's	33
On The Border:	
Company-Operated	117
Franchise	18
Corner Bakery:	
Company-Operated	87
Franchise	3
Rockfish	21
Total	1,588

The 1,074 Chili's restaurants include domestic locations in 49 states and foreign locations in 23 countries. The 235 Macaroni Grill restaurants include domestic locations in 41 states and foreign locations in Canada, Great Britain, Mexico, Puerto Rico and Taiwan. The Maggiano's, On The Border, and Corner Bakery restaurants are located exclusively within the United States in 17 (and the District of Columbia), 32 and 8 (and the District of Columbia) states, respectively.

Restaurant Property Information

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

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

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

Certain of the Company's restaurants are leased for an initial term of 5 to 30 years, with renewal terms of 1 to 35 years. The leases typically provide for a fixed rental plus percentage rentals based on sales volume. At June 29, 2005, the Company owned the land and/or building for 937 of the 1,268 Company-operated restaurants. The Company considers that its properties are suitable, adequate, well-maintained and sufficient for the operations contemplated.

Other Properties

The Company leases warehouse space totaling approximately 39,150 square feet in Carrollton, Texas, which it uses for storage of equipment and supplies. The Company owns an office building containing approximately 108,021 square feet which it uses for part of its corporate headquarters and menu development activities. The Company leases an additional office complex containing approximately 198,000 square feet for the remainder of its corporate headquarters, of which approximately 197,461 square feet is currently utilized by the Company or reserved for future expansion of the Company headquarters, and the remaining 539 square feet is under lease. The Company also leases office space in Arizona, California, Colorado, Florida, Georgia, Illinois, Missouri, New Jersey, North Carolina, Rhode Island and Texas for use as regional operation or real estate/construction offices. The size of these office leases range from 144 square feet to 4,049 square feet.

Item 3. LEGAL PROCEEDINGS.

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

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

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

None.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

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

Fiscal year ended June 29, 2005:

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

Fiscal year ended June 30, 2004:

	High	Low
First Quarter	$36.96	$30.31
Second Quarter	$34.30	$29.60
Third Quarter	$39.54	$32.47
Fourth Quarter	$39.52	$34.12

As of August 18, 2005, there were 1,088 holders of record of the Company's common stock.

The Company has never paid cash dividends on its common stock as profits are currently reinvested into the Company to fund expansion of its restaurant business. Additionally, the Company has been active in its share repurchase program.

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

In May 2004, the Company issued $300.0 million in the aggregate principal amount at maturity of 5.75% Notes due 2014 (the "Unregistered Notes"). The Unregistered Notes were not registered under the Securities Act of 1933, as amended. Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. served as the joint book-running managers for the offering. The Unregistered Notes were offered and sold only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act of 1933, as amended), and, outside the United States, to non-U.S. persons in reliance on Regulation S under the Securities Act. The Unregistered Notes are

redeemable at the Company's option at any time, in whole or in part. The proceeds of the offering were and will be used for general corporate purposes, including the repurchase of the Company's common stock pursuant to its share repurchase program.

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

Except as described in the immediately preceding paragraphs, during the three-year period ended on August 18, 2005, the Company issued no securities which were not registered under the Securities Act of 1933, as amended.

Shares repurchased during the fourth quarter of fiscal 2005 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**
March 31, 2005 through May 4, 2005	92,000	$33.69	$ 129,327
May 5, 2005 through June 1, 2005	122,000	$34.50	$ 125,113
June 2, 2005 through June 29, 2005	-	-	$ 125,113
Total	214,000	$34.15	

(a) All of the shares purchased during the fourth quarter of fiscal 2005 were purchased as part of the publicly announced program described in "Liquidity and Capital Resources" contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations" which is incorporated by reference from the 2005 Annual Report to Shareholders and is presented on pages F-6 through F-7 of Exhibit 13 to this report.

Item 6. SELECTED FINANCIAL DATA.

"Selected Financial Data" is incorporated herein by reference from the 2005 Annual Report to Shareholders and is presented on page F-1 of Exhibit 13 to this report.

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

"Management's Discussion and Analysis of Financial Condition and Results of Operations" is incorporated herein by reference from the 2005 Annual Report to Shareholders and is presented on pages F-2 through F-9 of Exhibit 13 to this report.

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

"Quantitative and Qualitative Disclosures About Market Risk" contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations" is incorporated herein by reference from the 2005 Annual Report to Shareholders and is presented on page F-6 of Exhibit 13 to this report.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Reference is made to the Index to Financial Statements attached hereto on page 18 for a listing of all financial statements incorporated by reference from the 2005 Annual Report to Shareholders attached as part of Exhibit 13 to this report.

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

None.

Item 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Based on their evaluation of the Company's 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, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective for the purpose of ensuring that material information required to be in this Annual Report on Form 10-K is accumulated and made known to them by others to allow timely decisions regarding required disclosure.

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 incorporated herein by reference from the 2005 Annual Report to Shareholders and is presented on pages F-31 of Exhibit 13 to this report.

Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the Company's fourth quarter ended June 29, 2005, that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION.

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

"Election of Directors - Information About Nominees", "Governance Of The Company", "Executive Officers", and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement to be dated on or about September 9, 2005, for the annual meeting of shareholders on October 20, 2005, are incorporated herein by reference.

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

Item 11. EXECUTIVE COMPENSATION.

"Executive Compensation" and "Report of the Compensation Committee" in the Company's Proxy Statement to be dated on or about September 9, 2005, for the annual meeting of shareholders on October 20, 2005, are incorporated herein by reference.

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

"Election of Directors - Stock Ownership of Directors", "Executive Compensation - Equity Compensation Plan Information", and "Stock Ownership of Certain Persons" in the Company's Proxy Statement to be dated on or about September 9, 2005, for the annual meeting of shareholders on October 20, 2005, are incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

"Compensation Committee Interlocks and Insider Participation" in the Company's Proxy Statement to be dated on or about September 9, 2005, for the annual meeting of shareholders on October 20, 2005, is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

"Ratification of Independent Auditors" in the Company's Proxy Statement to be dated on or about September 9, 2005, for the annual meeting of shareholders on October 20, 2005, is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) (1) Financial Statements.

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

(a) (2) Financial Statement Schedules.

None.

(a) (3) Exhibits.

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

SIGNATURES

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

BRINKER INTERNATIONAL, INC.,
a Delaware corporation

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

Dated: September 9, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons of the registrant and in the capacities indicated on September 9, 2005.

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

	Page
Selected Financial Data	F-1
Management's Discussion and Analysis of Financial Condition and Results of Operations	F-2
Consolidated Statements of Income - Fiscal Years Ended June 29, 2005, June 30, 2004, and June 25, 2003	F-10
Consolidated Balance Sheets - June 29, 2005 and June 30, 2004	F-11
Consolidated Statements of Shareholders' Equity - Fiscal Years Ended June 29, 2005, June 30, 2004, and June 25, 2003	F-12
Consolidated Statements of Cash Flows - Fiscal Years Ended June 29, 2005, June 30, 2004, and June 25, 2003	F-13
Notes to Consolidated Financial Statements	F-14
Reports of Independent Registered Public Accounting Firm	F-28
Management's Responsibility for Consolidated Financial Statements	F-31
Management's Report on Internal Control over Financial Reporting	F-31

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

INDEX TO EXHIBITS

Exhibit	
3(a)	Certificate of Incorporation of the Registrant, as amended. (1)
3(b)	Bylaws of the Registrant. (2)
4(a)	Form of 5.75% Note due 2014. (3)
4(b)	Indenture between the Registrant and Citibank, N.A., as Trustee. (2)
4(c)	Registration Rights Agreement by and among the Registrant, Citigroup Global Marketing, Inc., and J.P. Morgan Securities, Inc., as representatives of the initial named purchasers of the Notes. (2)
10(a)	Registrant's 1991 Stock Option Plan for Non-Employee Directors and Consultants. (4)
10(b)	Registrant's 1992 Incentive Stock Option Plan. (4)
10(c)	Registrant's Stock Option and Incentive Plan. (5)
10(d)	Registrant's 1999 Stock Option and Incentive Plan for Non-Employee Directors and Consultants. (6)
10(e)	Transition Agreement dated June 5, 2003, by and among Registrant, Brinker International Payroll Company, L.P. and Mr. Ronald A. McDougall. (7)
10(f)	Consulting Agreement dated August 26, 2004, by and between Registrant and Mr. Ronald A. McDougall. (8)
13	2005 Annual Report to Shareholders. (9)
21	Subsidiaries of the Registrant. (10)
23	Consent of Independent Registered Public Accounting Firm. (10)
31(a)	Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 17 CFR 240.13a - 14(a) or 17 CFR 240.15d - 14(a). (10)
31(b)	Certification by Charles M. Sonsteby, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 17 CFR 240.13a - 14(a) or 17 CFR 240.15d - 14(a). (10)
32(a)	Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (10)
32(b)	Certification by Charles M. Sonsteby, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (10)
99(a)	Proxy Statement of Registrant. (11)

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

(2) Filed as an exhibit to registration statement on Form S-4 filed June 25, 2004, SEC File No. 333-116879, and incorporated herein by reference.

(3) Included in exhibit 4(d) to annual report on Form 10-K for year ended June 30, 2004, and incorporated herein by reference.

(4) Filed as an exhibit to annual report on Form 10-K for the year ended June 25, 1997, and incorporated herein by reference.

(5) Filed as Appendix A to Proxy Statement of Registrant, to be filed on or about September 9, 2005.

(6) Filed as Appendix B to Proxy Statement of Registrant, to be filed on or about September 9, 2005.

(7) Filed as an exhibit to annual report on Form 10-K for the year ended June 25, 2003, and incorporated herein by reference.
(8) Filed as an exhibit to annual report on Form 10-K for the year ended June 30, 2004, 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 9, 2005.

EXHIBIT 13

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

Years			Fiscal		
	2005	**2004(a)**	**2003**	**2002**	**2001**
Income Statement Data:					
Revenues	$3,912,850	$3,707,486	$3,285,394	$2,887,111	$2,406,874
Operating Costs and Expenses:					
Cost of sales	1,100,842	1,024,724	900,379	796,714	663,357
Restaurant expenses	2,180,239	2,030,044	1,799,721	1,583,511	1,304,468
Depreciation and amortization	190,889	178,879	161,071	132,535	101,514
General and administrative	156,151	153,231	131,763	121,420	109,110
Restructure charges and other impairments	63,422	74,237	29,744	8,723	-
Total operating costs and expenses	3,691,543	3,461,115	3,022,678	2,642,903	2,178,449
Operating income	221,307	246,371	262,716	244,208	228,425
Interest expense	25,368	11,603	12,449	13,327	8,608
Other, net	1,526	1,742	567	2,332	459
Income before provision for income taxes	194,413	233,026	249,700	228,549	219,358
Provision for income taxes	34,194	82,108	83,500	77,904	75,805
Net income	$ 160,219	$ 150,918	$ 166,200	$ 150,645	$ 143,553
Basic net income per share	$ 1.81	$ 1.57	$ 1.71	$ 1.54	$ 1.45
Diluted net income per share	$ 1.73	$ 1.48	$ 1.61	$ 1.47	$ 1.41
Basic weighted average shares outstanding	88,530	96,072	97,096	97,862	99,101
Diluted weighted average shares outstanding	94,229	105,739	106,935	105,563	102,098
Balance Sheet Data (End of Period):					
Working capital (deficit)	$ (179,738)	$ 21,758	$ (143,744)	$ (160,266)	$ (110,006)
Total assets	2,156,124	2,254,424	1,978,895	1,811,252	1,466,267
Long-term obligations	635,925	864,840	539,642	542,108	323,854
Shareholders' equity	1,100,282	1,010,422	1,127,642	966,924	892,183
Number of Restaurants Open (End of Period):					
Company-operated	1,268	1,194	1,145	1,039	899
Franchised/Joint venture	320	282	257	229	244
Total	1,588	1,476	1,402	1,268	1,143

(a) Fiscal year 2004 consisted of 53 weeks while all other periods presented consisted of 52 weeks.

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

GENERAL

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

The Company has a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal years 2005 and 2003, which ended on June 29, 2005 and June 25, 2003, respectively, contained 52 weeks, while fiscal year 2004, which ended on June 30, 2004, contained 53 weeks.

RESULTS OF OPERATIONS FOR FISCAL YEARS 2005, 2004, AND 2003

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

	Percentage of Total Revenues Fiscal Years		
	2005	2004	2003
Revenues	100.0%	100.0%	100.0%
Operating Costs and Expenses:			
Cost of sales	28.1%	27.6%	27.4%
Restaurant expenses	55.7%	54.8%	54.8%
Depreciation and amortization	4.9%	4.8%	4.9%
General and administrative	4.0%	4.1%	4.0%
Restructure charges and other impairments	1.6%	2.0%	0.9%
Total operating costs and expenses	94.3%	93.3%	92.0%
Operating income	5.7%	6.7%	8.0%
Interest expense	0.6%	0.3%	0.4%
Other, net	0.0%	0.1%	-
Income before provision for income taxes	5.1%	6.3%	7.6%
Provision for income taxes	1.0%	2.2%	2.5%
Net income	4.1%	4.1%	5.1%

OVERVIEW

The Company is principally engaged in the ownership, operation, development, and franchising of the Chili's Grill & Bar ("Chili's"), Romano's Macaroni Grill ("Macaroni Grill"), Maggiano's Little Italy ("Maggiano's"), On The Border Mexican Grill & Cantina ("On The Border"), and Corner Bakery Cafe ("Corner Bakery") restaurant concepts. In addition, the Company has a 43% ownership interest in Rockfish Seafood Grill ("Rockfish"). At June 29, 2005, the Company owned, operated, franchised, or was involved in the ownership of 1,588 restaurants.

The Company intends to continue the expansion of its restaurant concepts by opening units in strategically desirable domestic markets and continues to contemplate development in other countries. The Company considers the restaurant site selection process critical to its long-term success and devotes significant effort to the investigation of new locations utilizing a variety of sophisticated analytical techniques. The Company intends to concentrate on the development of certain identified markets to achieve penetration levels deemed desirable in order to improve competitive position, marketing potential and profitability. Expansion efforts will be focused not only on major metropolitan areas, but also on smaller market areas and non-traditional locations (such as airports, kiosks and food courts) that can adequately support any of the Company's restaurant concepts. In addition, the Company intends to selectively pursue domestic and international franchise expansion. Future franchise development agreements are expected to remain limited to enterprises having significant experience as restaurant operators and proven financial ability to develop multi-unit operations. The specific rate at which the Company is able to open new restaurants is determined by its success in locating satisfactory sites, negotiating acceptable lease or purchase terms, securing appropriate local governmental permits and approvals, and by its capacity to supervise construction and recruit and train management personnel.

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

Revenues for the first quarter of fiscal 2006 are estimated to increase by 11% to 12% compared to the same quarter in fiscal 2005, driven primarily by capacity gains of 7% to 8%. Cost of sales is estimated to be 0.5% to 0.6% higher than last year due primarily to negative shifts in product mix and higher meat and poultry costs. Restaurant expenses are estimated to be 0.1% to 0.2% lower than last year primarily driven by improvements in labor efficiencies and sales leverage, partially offset by stock-based compensation expense to be recognized beginning in the first quarter of fiscal 2006. General and administrative expenses are estimated to be 0.9% to 1.0% higher due primarily to an increase in incentive based compensation programs (including stock-based compensation expense) and the implementation of a new annual merit increase process. The effective tax rate during the first quarter is estimated to be approximately 34.5%.

REVENUES

Revenues for fiscal 2005 increased to $3,912.9 million, 5.5% over the $3,707.5 million generated for fiscal 2004 (7.7% excluding revenues of $73.9 million for the additional week in fiscal 2004). Revenues for fiscal 2004 increased 12.8% from fiscal 2003 revenues of $3,285.4 million. The increases were primarily attributable to a net increase of 74 and 49 company-owned restaurants in fiscal 2005 and 2004, respectively, and an increase in comparable store sales. Revenues for fiscal 2005 increased due to a 1.9% increase in capacity (as measured by average-weighted sales weeks) and a 2.5% increase in comparable store sales. Capacity increased 3.9% for fiscal 2005 on a comparable 52-week basis. Revenues for fiscal 2004 increased due to a 10.5% increase in capacity, of which 2.1% was due to the additional week in fiscal 2004, and a 2.3% increase in comparable store sales. Menu prices in the aggregate increased 2.7% and 1.8% in fiscal 2005 and 2004, respectively.

COSTS AND EXPENSES

Cost of sales, as a percent of revenues, increased 0.5% in fiscal 2005 due primarily to a 0.9% increase in commodity prices for meat, poultry and produce and a 0.5% unfavorable product mix shift for meat and seafood, partially offset by a 0.9% increase in menu prices. Cost of sales, as a percent of revenues, increased 0.2% in fiscal 2004 due primarily to a 0.5% increase in commodity prices for meat, seafood, dairy and cheese, and a 0.7% unfavorable product mix shift for poultry and produce, partially offset by a 0.3% decrease in commodity prices for poultry, a 0.2% favorable product mix shift for meat and seafood, and a 0.5% increase in menu prices.

Restaurant expenses, as a percent of revenues, increased 0.9% in fiscal 2005. The increase was primarily due to the $17.3 million FICA tax assessment paid in resolution of the Internal Revenue Service ("IRS") dispute, increases in labor costs related to new product rollouts and service initiatives, increases in utility and vacation costs resulting from the correction of accounting policies, and increases in repair and maintenance expenses. These increases were partially offset by a decrease in advertising costs, gains totaling $8.7 million related to the sale of fourteen Chili's restaurants and all three of the Corner Bakery commissaries, and a $1.8 million gain related to the early extinguishment of certain mortgage loan obligations. Restaurant expenses, as a percent of revenues, remained flat in fiscal 2004. Higher labor and training costs related to new service initiatives, higher payroll taxes resulting from increased tip reporting, and increases in utility costs, property taxes, and health, workers compensation and general liability insurance were offset by increased sales leverage from the additional week in fiscal 2004, decreases in pre-opening costs due to a lower number of store openings in fiscal 2004 as compared to fiscal 2003, and a $2.4 million gain from the sale of four Chili's restaurants and the sale of one real estate property.

Depreciation and amortization increased $12.0 million and $17.8 million in fiscal 2005 and 2004, respectively. The increases were due to new unit construction and ongoing remodel costs, partially offset by a decrease in depreciation related to the disposition of stores and a declining depreciable asset base for older units.

General and administrative expenses increased $2.9 million and $21.5 million in fiscal 2005 and 2004, respectively. The increases were due primarily to increased costs related to consumer research and an increase in payroll costs resulting from an increase in headcount. The increase in fiscal 2005 was partially offset by a decrease in performance based compensation.

Restructure charges and other impairments recorded during fiscal 2005 consist of a $36.4 million charge related to the disposition of the remaining Big Bowl Asian Kitchen ("Big Bowl") restaurants, a $16.9 million charge to fully impair the investment and notes receivable associated with Rockfish, and a $10.1 million charge related primarily to restaurant closures. Restructure charges and other impairments recorded during fiscal 2004 consist of a $39.5 million charge related to store closures, a $27.0 million charge to impair Big Bowl goodwill, and a $7.7 million charge related to the final disposition of the Cozymel's Coastal Grill ("Cozymel's") restaurants. See Note 2 to our consolidated financial statements for additional discussion of restructure charges and other impairments.

Interest expense increased by $13.8 million in fiscal 2005 due primarily to interest related to the 5.75% notes (the "Notes") issued in May 2004 and increased average borrowings on the Company's lines-of-credit. These increases were partially offset by a decrease in interest expense due to the redemption of the convertible senior debentures in January 2005 and the final scheduled repayment of the senior notes in April 2005. Interest expense decreased $846,000 in fiscal 2004 due primarily to debt issuance costs related to the convertible debt being fully amortized in the second quarter of fiscal 2004, lower average outstanding balances on the senior notes and revolving lines-of-credit, and a $2.4 million gain related to an interest rate lock settled in May 2004. These decreases were partially offset by interest expense related to the Notes and a decrease in capitalized interest due to lower interest rates.

Other, net decreased $216,000 in fiscal 2005 due primarily to a decrease in the Company's share of losses in equity method investees, as well as an increase in interest income associated with the investment of proceeds received from the issuance of the Notes, partially offset by an increase in expense related to the Company's net savings plan obligations. Other, net increased $1.2 million in fiscal 2004 due primarily to gains from life insurance proceeds recorded in fiscal 2003 totaling $3.5 million, partially offset by a $1.0 million decrease in the Company's share of losses in equity method investees and an increase in interest income associated with the investment of proceeds received from the issuance of the Notes.

INCOME TAXES

The Company's effective income tax rate was 17.6%, 35.2%, and 33.4% in fiscal 2005, 2004, and 2003, respectively. The decrease in fiscal 2005 was primarily due to the disposition of Big Bowl, which allowed the Company to take tax deductions for goodwill impairment charges totaling $48.6 million ($21.6 million recorded in fiscal 2005 and $27.0 million recorded in fiscal 2004), an income tax benefit of approximately $16.9 million, consisting of federal income tax credits related to the additional FICA taxes paid as a result of the IRS resolution, and a $6.6 million tax benefit related to the correction of deferred tax liabilities as a result of an analysis of the tax basis of certain property and equipment balances. The increase in fiscal 2004 was primarily due to the Big Bowl goodwill impairment charge, which was not deductible for tax purposes until fiscal 2005, partially offset by an increase in the FICA tax credit resulting from increased tip reporting.

IMPACT OF INFLATION

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

LIQUIDITY AND CAPITAL RESOURCES

Working capital decreased to a deficit of $179.7 million at June 29, 2005 from a surplus of $21.8 million at June 30, 2004, primarily due to the cash redemption of the convertible senior debentures and purchases of treasury stock during fiscal 2005. Net cash provided by operating activities decreased to $443.5 million for fiscal 2005 from $489.7 million for fiscal 2004 due to the additional week in fiscal 2004 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 due under the Company's contractual obligations for outstanding indebtedness, purchase obligations as defined by the Securities and Exchange Commission ("SEC"), and the expiration of credit facilities as of June 29, 2005 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)	$535,420	$ 66,878	$ 37,247	$ 52,110	$379,185
Capital leases	57,562	3,361	6,981	7,339	39,881
Operating leases	892,375	111,568	210,093	179,859	390,855
Purchase obligations(b)	120,563	44,080	62,993	13,490	-

Amount of Credit Facility Expiration by Period
(in thousands)

	Total Commitment	Less than 1 year(c)	1-3 Years	3-5 Years	More than 5 Years
Credit facilities	$375,000	$ 75,000	$ -	$300,000	$ -

(a) Long-term debt consists of amounts owed on the 5.75% notes, mortgage loan obligations, credit facilities and accrued interest on fixed-rate obligations totaling $162.1 million.

(b) A "purchase obligation" is defined as an agreement to purchase goods or services that is enforceable and legally binding on the Company 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. The Company's purchase obligations primarily consist of long-term obligations for the purchase of telecommunication services, certain non-alcoholic beverages and baked goods and exclude agreements that are cancelable without significant penalty.

(c) The portion of the credit facilities that expires in less than one year is an uncommitted obligation giving the lenders the option not to extend 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 October 2009.

Capital expenditures consist of purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, and ongoing remodeling programs. Capital expenditures were $334.9 million in fiscal 2005 compared to $314.3 million in fiscal 2004. The Company estimates that its fiscal 2006 capital expenditures will approximate $434.0 million. These capital expenditures will be funded entirely from operations and existing credit facilities.

In April 2005, the Company paid the remaining $14.9 million principal balance on the senior notes. In January 2005, the Company redeemed all of its convertible senior debentures. Debenture holders chose to convert a total of $10.8 million of the accreted debenture value into 308,092 shares of common stock. The Company redeemed the balance of $262.7 million of the accreted debenture value for cash. In November 2004, the Company paid $23.9 million as a result of the early extinguishment of certain mortgage loan obligations. The Company funded these payments with cash on hand and available lines of credit.

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

During fiscal 2005, the Company received cash proceeds totaling $31.5 million related to the sale of fourteen Chili's restaurants to new franchisees, the sale of the remaining nine Big Bowl restaurants, and the sale of all three of the Corner Bakery commissaries.

During fiscal 2005, the Company received cash proceeds of $13.0 million from the sale of real estate in connection with restaurant closings and expects to receive an additional $21.0 million in fiscal 2006.

In April 2004, the Board of Directors authorized an increase in the stock repurchase plan of $500.0 million, bringing the total to $1,010.0 million. Pursuant to the Company's stock repurchase plan, the Company repurchased approximately 5.0 million shares of its common stock for $170.2 million during fiscal 2005, of which 3.5 million shares were acquired under forward purchase contracts settled on October 21, 2004. As of June 29, 2005, approximately 32.5 million shares had been repurchased for $884.9 million under the stock repurchase plan. The Company's stock repurchase plan will be used to minimize the dilutive impact of stock options. 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 its business.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The Company is exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. The Company's variable rate financial instruments, consisting of the outstanding borrowings on credit facilities and the notional amounts of interest rate swaps, totaled $176.6 million at June 29, 2005. The impact on the Company's annual results of operations of a one-point interest rate change on the outstanding balance of these variable rate financial instruments as of June 29, 2005 would be approximately $1.8 million. The Company may from time to time utilize interest rate swaps to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates.

The Company purchases certain commodities such as meat, poultry, produce, and dairy. These commodities are generally purchased based upon market prices established with vendors. These purchase arrangements may contain contractual features that fix the price paid for certain commodities. The Company does not use financial instruments to hedge commodity prices because these purchase arrangements help control the ultimate cost paid and any commodity price aberrations are generally short-term in nature.

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

CRITICAL ACCOUNTING POLICIES

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

Property and Equipment

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

Impairment of Long-Lived Assets

The Company reviews property and equipment for impairment when events or circumstances indicate 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 related to its restaurant concepts. This impairment test requires the Company to estimate fair values of its restaurant concepts by making assumptions regarding future profits and cash flows, expected growth rates, terminal values, and other factors. In the event that these assumptions change in the future, the Company may be required to record impairment charges related to goodwill.

Financial Instruments

The Company enters into interest rate swaps to maintain the value of certain lease obligations. The fair value of these swaps is estimated using widely accepted valuation methods. The valuation of derivatives involves considerable judgment, including estimates of future interest rate curves. Changes in those estimates may materially affect the amounts recognized in the balance sheet for 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 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 by the Company on a quarterly basis to ensure that the liability is appropriate. If actual trends, including the severity or frequency of claims, differ from our estimates, our financial results could be impacted.

RECENT ACCOUNTING PRONOUNCEMENT

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment," ("SFAS 123R"), which amends SFAS No. 123 and SFAS No. 95. SFAS 123R requires all companies to measure and record compensation cost for all share-based payments, including employee stock options, at fair value and will be effective for annual periods beginning after June 15, 2005. The Company estimates that stock-based compensation expense for fiscal 2006 will be $31.0 to $33.0 million ($24.0 to $26.0 million after tax). This estimate includes costs related to unvested stock options and restricted stock grants associated with new compensation programs.

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

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

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

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

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

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

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

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

The Company is subject to the Fair Labor Standards Act, which governs such matters as minimum wages, overtime and other working conditions, along with the Americans With Disabilities Act, various family leave mandates and a variety of other laws enacted, or rules and regulations promulgated, by federal, state and local governmental authorities that govern these and other employment matters. The Company expects increases in payroll expenses as a result of federal, state and local mandated increases in the minimum wage, and although such increases are not expected to be material, the Company cannot assure that there will not be material increases in the future. In addition, the Company's vendors may be affected by higher minimum wage standards, which may increase the price of goods and services supplied to the Company.

Inflation may increase the Company's operating expenses.

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

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

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

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

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

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

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

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

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

Identification of material weakness in internal control may adversely affect the Company's financial results.

The Company is 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 which could indicate a lack of adequate controls to generate accurate financial statements. Though the Company routinely assesses its internal controls, there can be no assurance that the Company will be able to timely remediate material weaknesses, if any, that may be identified in future periods, or maintain all of the controls necessary for continued compliance. There likewise can be no assurance that the Company will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies.

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

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

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

	Fiscal Years		
	2005	**2004**	**2003**
Revenues	$3,912,850	$3,707,486	$3,285,394
Operating Costs and Expenses:			
Cost of sales	1,100,842	1,024,724	900,379
Restaurant expenses	2,180,239	2,030,044	1,799,721
Depreciation and amortization	190,889	178,879	161,071
General and administrative	156,151	153,231	131,763
Restructure charges and other impairments	63,422	74,237	29,744
Total operating costs and expenses	3,691,543	3,461,115	3,022,678
Operating income	221,307	246,371	262,716
Interest expense	25,368	11,603	12,449
Other, net	1,526	1,742	567
Income before provision for income taxes	194,413	233,026	249,700
Provision for income taxes	34,194	82,108	83,500
Net income	$ 160,219	$ 150,918	$ 166,200
Basic net income per share	$ 1.81	$ 1.57	$ 1.71
Diluted net income per share	$ 1.73	$ 1.48	$ 1.61
Basic weighted average shares outstanding	88,530	96,072	97,096
Diluted weighted average shares outstanding	94,229	105,739	106,935

See accompanying notes to consolidated financial statements.

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

	2005	2004
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 42,253	$ 47,437
Short-term investments	-	179,325
Accounts receivable	45,155	37,934
Inventories	49,503	38,113
Prepaid expenses and other	81,312	74,764
Deferred income taxes	21,956	23,347
Total current assets	240,179	400,920
Property and Equipment, at Cost:		
Land	284,885	283,777
Buildings and leasehold improvements	1,570,787	1,413,980
Furniture and equipment	729,193	666,415
Construction-in-progress	87,192	72,818
	2,672,057	2,436,990
Less accumulated depreciation and amortization	(963,892)	(823,106)
Net property and equipment	1,708,165	1,613,884
Other Assets:		
Goodwill	135,754	158,068
Other	72,026	81,552
Total other assets	207,780	239,620
Total assets	$2,156,124	$2,254,424
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 1,805	$ 18,099
Accounts payable	133,096	105,795
Accrued liabilities	262,277	218,225
Income taxes payable	22,739	37,043
Total current liabilities	419,917	379,162
Long-term debt, less current installments	406,505	639,291
Deferred income taxes	56,189	72,453
Other liabilities	173,231	153,096
Commitments and Contingencies (Notes 8 and 14)		
Shareholders' Equity:		
Common stock - 250,000,000 authorized shares; $.10 par value; 117,499,541 shares issued and 89,182,804 shares outstanding at June 29, 2005, and 117,499,541 shares issued and 90,647,745 shares outstanding at June 30, 2004	11,750	11,750
Additional paid-in capital	369,813	356,094
Accumulated other comprehensive income	700	737
Retained earnings	1,421,866	1,261,647
	1,804,129	1,630,228
Less treasury stock, at cost (28,316,737 shares at June 29, 2005 and 26,851,796 shares at June 30, 2004)	(703,847)	(619,806)
Total shareholders' equity	1,100,282	1,010,422
Total liabilities and shareholders' equity	$2,156,124	$2,254,424

See accompanying notes to consolidated financial statements.

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

	Common Stock		Additional Paid-In	Retained	Treasury	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Stock	Income	Total
Balances at June 26, 2002	97,440	$11,750	$ 328,319	$ 944,529	$ (317,674)	$ -	$ 966,924
Net income	-	-	-	166,200	-	-	166,200
Change in fair value of investments, net of tax	-	-	-	-	-	609	609
Comprehensive income							166,809
Purchases of treasury stock	(2,208)	-	-	-	(64,477)	-	(64,477)
Issuances of common stock	2,492	-	(1,748)	-	42,048	-	40,300
Tax benefit from stock options exercised	-	-	13,710	-	-	-	13,710
Amortization of unearned compensation	-	-	2,101	-	-	-	2,101
Issuance of restricted stock, net of forfeitures	131	-	118	-	2,157	-	2,275
Balances at June 25, 2003	97,855	11,750	342,500	1,110,729	(337,946)	609	1,127,642
Net income	-	-	-	150,918	-	-	150,918
Change in fair value of investments, net of tax	-	-	-	-	-	128	128
Comprehensive income							151,046
Purchases of treasury stock	(9,326)	-	-	-	(322,615)	-	(322,615)
Issuances of common stock	2,053	-	2,049	-	39,538	-	41,587
Tax benefit from stock options exercised	-	-	9,752	-	-	-	9,752
Amortization of unearned compensation	-	-	1,770	-	-	-	1,770
Issuance of restricted stock, net of forfeitures	66	-	23	-	1,217	-	1,240
Balances at June 30, 2004	90,648	11,750	356,094	1,261,647	(619,806)	737	1,010,422
Net income	-	-	-	160,219	-	-	160,219
Change in fair value of investments, net of tax	-	-	-	-	-	(37)	(37)
Comprehensive income							160,182
Purchases of treasury stock	(4,953)	-	-	-	(170,210)	-	(170,210)
Issuances of common stock	3,449	-	(3,271)	-	85,180	-	81,909
Tax benefit from stock options exercised	-	-	16,088	-	-	-	16,088
Amortization of unearned compensation	-	-	1,252	-	-	-	1,252
Issuance of restricted stock, net of forfeitures	39	-	(350)	-	989	-	639
Balances at June 29, 2005	89,183	$11,750	$ 369,813	$1,421,866	$ (703,847)	$ 700	$1,100,282

See accompanying notes to consolidated financial statements.

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

	Fiscal Years		
	2005	2004	2003
Cash Flows from Operating Activities:			
Net income	$ 160,219	$ 150,918	$ 166,200
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	190,889	178,879	161,071
Restructure charges and other impairments	63,422	74,237	29,744
Deferred income taxes	(14,852)	1,467	37,743
Gain on sale of assets	(9,278)	(2,452)	-
Gain on extinguishment of debt	(1,750)	-	-
Amortization of deferred costs	4,365	9,318	11,721
Changes in assets and liabilities, excluding effects of acquisitions and dispositions:			
Receivables	(5,984)	(2,515)	(8,956)
Inventories	(12,630)	(14,047)	(2,726)
Prepaid expenses and other	(3,804)	2,182	392
Other assets	(3,377)	(3,146)	2,474
Current income taxes	1,784	38,864	37,314
Accounts payable	27,301	(2,273)	(10,350)
Accrued liabilities	37,382	34,645	14,603
Other liabilities	9,793	23,628	15,114
Net cash provided by operating activities	443,480	489,705	454,344
Cash Flows from Investing Activities:			
Payments for property and equipment	(334,911)	(314,345)	(331,998)
Proceeds from sale of assets	44,484	22,235	-
Proceeds from sale of short-term investments	179,325	74,850	-
Purchases of short-term investments	-	(254,175)	-
Net payments (to) from affiliates	-	(2,252)	7,372
Investments in equity method investee	-	-	(1,750)
Net cash used in investing activities	(111,102)	(473,687)	(326,376)
Cash Flows from Financing Activities:			
Payments on long-term debt	(301,364)	(17,120)	(16,890)
Purchases of treasury stock	(170,210)	(322,615)	(64,477)
Proceeds from issuances of treasury stock	71,112	41,587	40,300
Net borrowings (payments) on credit facilities	62,900	-	(63,500)
Net proceeds from issuance of debt	-	296,075	-
Net cash used in financing activities	(337,562)	(2,073)	(104,567)
Net change in cash and cash equivalents	(5,184)	13,945	23,401
Cash and cash equivalents at beginning of year	47,437	33,492	10,091
Cash and cash equivalents at end of year	$ 42,253	$ 47,437	$ 33,492

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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

The Company has a 52/53 week fiscal year ending on the last Wednesday in June. Fiscal years 2005 and 2003, which ended on June 29, 2005 and June 25, 2003, respectively, each contained 52 weeks. Fiscal year 2004 ended on June 30, 2004 and contained 53 weeks.

Reclassifications

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

These accounting policy changes resulted in an increase to net property and equipment and other liabilities of $47.0 million as of June 30, 2004. In addition, depreciation and amortization increased and restaurant expenses decreased by $3.4 million and $2.9 million for fiscal 2004 and fiscal 2003, respectively. These changes have no impact on the Company's previously reported net income, earnings per share, revenues, total operating costs and expenses, shareholders' equity, or compliance with any covenants under its credit facility or other debt instruments.

Additionally, auction rate securities of $179.3 million which were previously classified as cash and cash equivalents at June 30, 2004 have been reclassified as short-term investments. The cash flows related to these investments are now disclosed as investing activities in the Company's consolidated statements of cash flows.

Certain other prior year amounts in the accompanying consolidated financial statements have been reclassified to conform with fiscal 2005 presentation. These reclassifications have no effect on the Company's net income or financial position as previously reported.

(b) Revenue Recognition

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

(c) Short-Term Investments

The Company's short-term investments are variable rate bonds commonly known as auction rate securities. The Company invests primarily in municipal and student obligations and these securities are purchased and sold at par value. The underlying security is issued as a long-term investment. However, auction rate securities are classified as short-term investments because they typically can be purchased and sold every 7, 28 and 35 days. The trading of auction rate securities takes place through a dutch auction with an interest rate reset at the beginning of each holding period. At the end of each holding period the interest is paid to the investor.

(d) Financial Instruments

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

The Company's financial instruments at June 29, 2005 and June 30, 2004 consist of cash equivalents, short-term investments, accounts receivable, notes receivable, and long-term debt. The fair value of the Company's Notes and convertible debt, based on quoted market prices, totaled approximately $318.0 million and $585.4 million at June 29, 2005 and June 30, 2004, respectively. The fair value of all other financial instruments approximates the carrying amounts reported in the consolidated balance sheets. The following methods were used in estimating the fair value of financial instruments other than the Notes and convertible debt: cash equivalents, short-term investments and accounts receivable approximate their carrying amounts due to the short duration of those items; notes receivable are based on the present value of expected future cash flows discounted at the interest rate currently offered by the Company which approximates rates currently being offered by local lending institutions for loans of similar terms to companies with comparable credit risk; and long-term debt is based on the amount of future cash flows discounted using the Company's expected borrowing rate for debt of comparable risk and maturity.

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

(e) Inventories

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

(f) Property and Equipment

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

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

(g) Operating Leases

Rent expense for leases that contain scheduled rent increases is recognized on a straight-line basis over the lease term, including cancelable option periods where failure to exercise such options would result in an economic penalty such that the renewal appears reasonably assured. The straight-line rent calculation includes the rent holiday period, which is the period of time between the Company taking control of a leased site and the rent commencement date. The portion of straight-line rent allocated to the construction period is capitalized and amortized to depreciation and amortization expense over the useful life of the related assets.

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

(h) Capitalized Interest

Interest costs capitalized during the construction period of restaurants were approximately $3.8 million, $3.4 million, and $5.6 million during fiscal 2005, 2004, and 2003, respectively.

(i) Advertising

Advertising costs are expensed as incurred. Advertising costs were $126.0 million, $151.3 million, and $135.2 million in fiscal 2005, 2004, and 2003, respectively, and are included in restaurant expenses in the consolidated statements of income.

(j) Goodwill

Goodwill represents the residual purchase price after allocation to all other identifiable net assets acquired. Goodwill is not subject to amortization but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. SFAS No. 142, "Goodwill and Other Intangible Assets," requires a two-step process for testing impairment of goodwill. First, the fair value of each reporting unit is compared to its carrying value to determine whether an indication of impairment exists. If an impairment is indicated, then the fair value of the reporting unit's goodwill is determined by allocating the unit's fair value to its assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. The amount of impairment for goodwill is measured as the excess of its carrying value over its implied fair value. See Note 3 for additional disclosures related to goodwill.

(k) Self-Insurance Program

The Company utilizes 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 the Company's per occurrence cash outlay. Accrued expenses and other liabilities include the estimated incurred but unreported costs to settle unpaid claims and estimated future claims.

(l) Income Taxes

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

(m) Stock-Based Compensation

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

	2005	2004	2003
Net income - as reported	$160,219	$150,918	$166,200
Add: Reported stock-based compensation expense, net of taxes	1,383	1,756	1,863
Deduct: Fair value based compensation expense, net of taxes(a)	(16,700)	(18,663)	(17,697)
Net income - pro forma	$144,902	$134,011	$150,366
Earnings per share:			
Basic - as reported	$ 1.81	$ 1.57	$ 1.71
Basic - pro forma	$ 1.64	$ 1.39	$ 1.55
Diluted - as reported	$ 1.73	$ 1.48	$ 1.61
Diluted - pro forma	$ 1.57	$ 1.31	$ 1.47

(a) The fiscal 2005 compensation expense includes prior year forfeiture adjustments of $1.5 million, net of tax.

The weighted average fair value of option grants was $11.48, $11.38, and $10.76 during fiscal 2005, 2004, and 2003, respectively. The fair value is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2005	2004	2003
Expected volatility	31.2%	33.0%	34.0%
Risk-free interest rate	3.4%	3.4%	3.0%
Expected lives	5 years	5 years	5 years
Dividend yield	0.0%	0.0%	0.0%

The pro forma disclosures provided are not likely to be representative of the effects on reported net income for future years due to future grants. The Company will begin recognizing stock-based compensation expense in fiscal 2006 in accordance with the provisions of SFAS 123R. The estimated impact of adopting SFAS 123R for fiscal 2006 will be $31.0 to $33.0 million ($24.0 to $26.0 million, net of tax). This estimate includes costs related to unvested stock options and restricted stock grants associated with new compensation programs.

(n) 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 2005, 2004 and 2003 comprehensive income consists of net income and the unrealized portion of changes in the fair value of the Company's investments in mutual funds.

(o) Net Income Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted net income per share, the basic weighted average number of shares is increased by the dilutive effect of stock options determined using the treasury stock method and convertible debt. The Company had approximately 700,000 stock options outstanding at June 29, 2005 and June 30, 2004, and 1.4 million stock options outstanding at June 25, 2003 that were not included in the dilutive earnings per share calculation because the effect would have been antidilutive. The components of basic and diluted earnings per share are as follows:

	2005	2004	2003
Net income - as reported(w)	$ 160,219	$ 150,918	$ 166,200
Adjustment for interest on convertible debt, net of tax	2,650	5,023	6,313
Net income - as adjusted(x)	$ 162,869	$ 155,941	$ 172,513
Basic weighted average shares outstanding(y)	88,530	96,072	97,096
Dilutive effect of stock options	1,267	1,867	2,039
Dilutive effect of convertible debt	4,432	7,800	7,800
Diluted weighted average shares outstanding(z)	94,229	105,739	106,935
Basic earnings per share(w)/(y)	$ 1.81	$ 1.57	$ 1.71
Diluted earnings per share (x)/(z)	$ 1.73	$ 1.48	$ 1.61

(p) Segment Reporting

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

(q) Use of Estimates

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

2. RESTRUCTURE CHARGES AND OTHER IMPAIRMENTS

(a) Fiscal 2005

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

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

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

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

(b) Fiscal 2004

A $39.5 million charge was recorded as a result of the decision to close thirty restaurants, including six Chili's, five Macaroni Grill, six On The Border, six Corner Bakery, and seven Big Bowl restaurants. The charge consists of long-lived asset impairments totaling $31.2 million, lease obligation charges totaling $6.2 million, and the write-off of inventory and other supplies totaling $2.1 million. The remaining carrying values of the long-lived assets associated with the closed stores totaled approximately $4.6 million and $13.0 million at June 29, 2005 and June 30, 2004, respectively. The fair value of the long-lived assets were primarily based on estimates from third party real estate brokers who examined comparable property sales values in the respective markets in which the restaurants operate. In addition, the Company made lease payments related to the closed stores totaling $3.3 million and $800,000 during fiscal 2005 and fiscal 2004, respectively, reducing the lease obligation included in accrued liabilities to $2.1 million and $5.4 million at June 29, 2005 and June 30, 2004, respectively.

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

Additionally, the Company recorded a $7.7 million charge as a result of the final disposition of Cozymel's.

(c) Fiscal 2003

A $29.7 million charge was recorded primarily as a result of the decision to dispose of Cozymel's and the decision to close ten restaurants.

3. GOODWILL

The changes in the carrying amount of goodwill for the fiscal years ended June 29, 2005 and June 30, 2004 are as follows (in thousands):

	2005	2004
Balance at beginning of year	$158,068	$185,068
Impairment of goodwill (see Note 2)	(21,620)	(27,000)
Other	(694)	-
Balance at end of year	$135,754	$158,068

4. ACCRUED AND OTHER LIABILITIES

Accrued liabilities consist of the following (in thousands):

	2005	2004
Payroll	$ 89,659	$ 84,776
Gift cards	53,597	43,550
Sales tax	28,041	28,254
Property tax	22,661	21,404
Insurance	25,044	19,640
Other	43,275	20,601
	$262,277	$218,225

Other liabilities consist of the following (in thousands):

	2005	2004
Straight-line rent	$ 61,562	$ 58,424
Retirement plan (see Note 11)	36,841	38,473
Other	74,828	56,199
	$173,231	$153,096

5. INCOME TAXES

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

	2005	2004	2003
Current income tax expense:			
Federal	$ 33,070	$ 65,977	$ 36,761
State	10,074	12,885	8,107
Foreign	1,184	1,098	889
Total current income tax expense	44,328	79,960	45,757
Deferred income tax (benefit) expense:			
Federal	(8,912)	1,896	35,968
State	(1,222)	252	1,775
Total deferred income tax (benefit) expense	(10,134)	2,148	37,743
	$ 34,194	$ 82,108	$ 83,500

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

	2005	2004	2003
Income tax expense at statutory rate	$ 68,045	$ 81,559	$ 87,395
FICA tax credit	(30,032)	(17,506)	(13,236)
State income taxes, net of Federal benefit	5,753	8,539	6,423
Goodwill impairment	(9,450)	9,450	2,275
Other	(122)	66	643
	$ 34,194	$ 82,108	$ 83,500

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities as of June 29, 2005 and June 30, 2004 are as follows (in thousands):

	2005	2004
Deferred income tax assets:		
Restructuring charges and other impairments	$ 8,081	$ 17,399
Employee benefit plans	11,911	13,863
Leasing transactions	16,980	16,716
Insurance reserves	7,548	8,715
Other, net	31,200	24,158
Total deferred income tax assets	75,720	80,851
Deferred income tax liabilities:		
Depreciation and capitalized interest on property and equipment	47,360	88,509
Prepaid expenses	19,711	10,456
Goodwill and other amortization	11,887	11,887
Captive insurance	10,946	3,998
Other, net	20,049	15,107
Total deferred income tax liabilities	109,953	129,957
Net deferred income tax liability	$ 34,233	$ 49,106

6. DEBT

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

	2005	2004
5.75% notes	$298,598	$298,449
Credit facilities	62,900	-
Capital lease obligations (see Note 8)	35,022	35,926
Mortgage loan obligations	11,790	38,931
Convertible debt	-	269,233
Senior notes	-	14,851
	408,310	657,390
Less current installments	(1,805)	(18,099)
	$406,505	$639,291

In May 2004, the Company 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.

The Company has credit facilities aggregating $375.0 million at June 29, 2005. A revolving credit facility of $300.0 million bears interest at LIBOR (3.34% at June 29, 2005) plus a maximum of 1.5% (0.625% at June 29, 2005) and expires in October 2009. At June 29, 2005, $15.0 million was outstanding under this facility. The remaining credit facility is an uncommitted obligation giving the lenders the option not to extend funding and bears interest based upon a negotiated rate (federal funds rate plus 0.5% or 3.75% as of June 29, 2005). At June 29, 2005, $47.9 million was outstanding under the uncommitted facility. Unused credit facilities available to the Company totaled $312.1 million at June 29, 2005. Obligations under the Company's credit facilities, which require short-term repayments, have been classified as long-term debt, reflecting the Company's intent and ability to refinance these borrowings through the existing credit facilities.

The unsecured senior notes required semi-annual interest payments at an annual rate of 7.8%. The remaining principal balance of $14.9 million was paid in April 2005.

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

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

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

Excluding capital lease obligations (see Note 8), the Company's long-term debt maturities for the five years following June 29, 2005 are as follows (in thousands):

Fiscal Year	
2006	$ 48,766
2007	632
2008	531
2009	576
2010	15,624
Thereafter	307,159
	$373,288

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company entered into three interest rate swaps in December 2001 with a total notional value of $113.7 million at June 29, 2005. These fair value hedges change the fixed-rate interest component of an operating lease commitment for certain real estate properties entered into in November 1997 to variable-rate interest. Under the terms of the hedges (which expire in fiscal 2018), the Company pays monthly a variable rate based on 30-Day LIBOR (3.34% at June 29, 2005) plus 1.26%. The Company receives monthly the fixed interest rate of 7.156% on the lease. The estimated fair values of these agreements at June 29, 2005 and June 30, 2004 were assets of approximately $13.0 million and $7.7 million, respectively. There was no hedge ineffectiveness during fiscal 2005, 2004, or 2003. The Company's interest rate swap hedges meet the criteria for the "short-cut method" under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Accordingly, changes in the fair value of the swaps are recorded in other assets with a like adjustment in other liabilities.

The interest rate swaps on the senior notes expired in conjunction with the Company's payment of the remaining principal in April 2005.

8. LEASES

(a) Capital Leases

The Company leases certain buildings under capital leases. The asset values of $27.5 million at June 29, 2005 and June 30, 2004, and the related accumulated amortization of $10.6 million and $9.5 million at June 29, 2005 and June 30, 2004, respectively, are included in property and equipment. Amortization of assets under capital leases is included in depreciation and amortization expense.

(b) Operating Leases

The Company leases restaurant facilities, office space, and certain equipment under operating leases having terms expiring at various dates through fiscal 2095. The restaurant leases have renewal clauses of 1 to 35 years at the option of the Company and, 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 2005, 2004, and 2003 was $127.9 million, $119.6 million, and $108.1 million, respectively. Contingent rent included in rent expense for fiscal 2005, 2004, and 2003 was $12.2 million, $11.6 million, and $10.3 million, respectively.

(c) Commitments

At June 29, 2005, future minimum lease payments on capital and operating leases were as follows (in thousands):

Fiscal Year	Capital Leases	Operating Leases
2006	$ 3,361	$ 111,568
2007	3,447	107,942
2008	3,534	102,151
2009	3,624	94,451
2010	3,715	85,408
Thereafter	39,881	390,855
Total minimum lease payments	57,562	$ 892,375
Imputed interest (average rate of 7%)	(22,540)	
Present value of minimum lease payments	35,022	
Less current installments	(939)	
	$ 34,083	

At June 29, 2005, the Company had entered into other lease agreements for restaurant facilities currently under construction or yet to be constructed. Classification of these leases as capital or operating has not been determined as construction of the leased properties has not been completed.

9. STOCK OPTION PLANS

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

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

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

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

Transactions during fiscal 2005, 2004, and 2003 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	2005	2004	2003	2005	2004	2003
Options outstanding at beginning of year	9,859	9,611	9,944	$26.92	$24.07	$20.50
Granted	2,786	2,879	2,639	33.96	32.53	30.68
Exercised	(3,053)	(1,978)	(2,477)	22.76	20.54	16.05
Forfeited	(896)	(653)	(495)	32.13	29.08	27.54
Options outstanding at end of year	8,696	9,859	9,611	$30.10	$26.92	$24.07
Options exercisable at end of year	2,864	3,918	3,809	$24.52	$20.64	$16.69

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
$ 7.42-$11.58	144	1.87	$ 8.64	144	$ 8.64
$13.58-$18.67	736	3.93	17.03	736	17.03
$25.50-$38.01	7,816	8.06	31.73	1,984	28.46
	8,696	7.61	$30.10	2,864	$24.52

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

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

Transactions during fiscal 2005, 2004, and 2003 were as follows (in thousands, except option prices):

	Number of Company Options			Weighted Average Share Exercise Price		
	2005	2004	2003	2005	2004	2003
Options outstanding at beginning of year	488	440	353	$23.90	$21.21	$17.79
Granted	80	83	102	35.53	32.80	32.18
Exercised	(87)	(35)	(15)	18.14	10.60	15.36
Forfeited	-	-	-	-	-	-
Options outstanding at end of year	481	488	440	$26.86	$23.90	$21.21
Options exercisable at end of year	231	244	238	$19.92	$16.24	$13.57

At June 29, 2005, the range of exercise prices for options outstanding was $8.33 to $38.35 with a weighted average remaining contractual life of 6.50 years.

10. SHAREHOLDERS' EQUITY

(a) Stockholder Protection Rights Plan

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

(b) Preferred Stock

The Company's Board of Directors is authorized to provide for the issuance of 1.0 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 29, 2005, no preferred shares were issued.

(c) Treasury Stock

In April 2004, the Board of Directors authorized an increase in the stock repurchase plan of $500.0 million, bringing the total to $1,010.0 million. Pursuant to the Company's stock repurchase plan, the Company repurchased approximately 5.0 million shares of its common stock for $170.2 million during fiscal 2005. As of June 29, 2005, approximately 32.5 million shares had been repurchased for $884.9 million under the stock repurchase plan. The Company's stock repurchase plan is primarily used to minimize the dilutive impact of stock options. The repurchased common stock is reflected as a reduction of shareholders' equity.

(d) Restricted Stock

Pursuant to shareholder approval in November 1999, the Company implemented the Executive Long-Term Incentive Plan for certain key employees, one component of which is the award of restricted stock. During fiscal 2005 and 2004, respectively, approximately 53,000 and 66,000 shares of restricted stock were awarded, the majority of which vests over a three-year period.

11. SAVINGS PLANS

The Company sponsors a qualified defined contribution retirement plan ("Plan I") covering salaried employees who have attained the age of twenty-one and hourly employees who have completed one year of service and have attained the age of twenty-one. Plan I allows eligible employees to contribute, subject to 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. The Company matches in cash at a rate of 25% of the first 5% a salaried employee contributes. Hourly employees do not receive matching contributions. Employee contributions vest immediately while Company contributions vest 25% annually beginning in the participant's second year of eligibility. In November 2004, the plan was amended to change the vesting of Company contributions to 100% for participants who cease to be employed by the Company because the restaurant location at which the participant is employed is refranchised, effective upon the date of the refranchising. In July 2005, the Company announced its intention to amend the plan effective January 1, 2006 by changing participant eligibility to include all employees who have attained the age of twenty-one and have completed one year and 1,000 hours of service. In addition, the Company intends to increase its match to 100% of the first 3% an employee contributes and 50% of the next 2% the employee contributes with immediate vesting. In fiscal 2005, 2004, and 2003, the Company contributed approximately $940,000, $797,000, and $889,000, respectively.

The Company sponsors a non-qualified defined contribution retirement plan ("Plan II") covering highly compensated employees, as defined in the plan. Plan II allows eligible employees to defer receipt of up to 50% of their base compensation and 100% of their eligible bonuses, as defined in the plan. The Company matches in cash at a rate of 25% of the first 5% of contributions. Employee contributions vest immediately while Company contributions vest 25% annually beginning in the participant's second year of eligibility. In December 2004, the IRS issued guidance on new rules for non-qualified deferred compensation plans. As a result, the Company closed the plan to future contributions effective January 1, 2005. The Company is evaluating the IRS guidance and will formalize any permanent changes to the plan in fiscal 2006, subject to approval by the Company's Board of Directors. In fiscal 2005, 2004, and 2003, the Company contributed approximately $456,000, $799,000, and $724,000, respectively. At the inception of Plan II, the Company established a Rabbi Trust to fund Plan II obligations. The market value of the trust assets is included in other assets and the liability to Plan II participants is included in other liabilities.

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2005	2004	2003
Income taxes, net of refunds	$ 46,080	$ 40,677	$ 7,553
Interest, net of amounts capitalized	22,460	3,977	3,215

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

	2005	2004	2003
Retirement of fully depreciated assets	$ 20,515	$ 14,235	$164,509
Conversion of debt into common stock	10,796	-	-
Capitalized straight-line rent	5,748	3,376	3,735
Net increase (decrease) in fair value of interest rate swaps	4,597	(15,523)	15,063
Restricted common stock issued, net of forfeitures	1,361	2,374	4,490
Issuance of notes for sale of Cozymel's	-	14,455	-

13. RELATED PARTY TRANSACTIONS

The Company entered into a note agreement with Rockfish Partnership in December 2002. During fiscal 2004, the note was amended and restated, increasing the amount available under the note to $6.8 million, extending the maturity date to December 2005, and increasing the interest rate to the prime rate plus 1.5%. The note requires quarterly interest payments until maturity. In fiscal 2005, the Company recorded a $6.8 million charge to fully impair the note (see Note 2 for additional discussion).

14. CONTINGENCIES

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

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

15. SUBSEQUENT EVENT

In August 2005, the Company entered into a letter of intent to sell its Corner Bakery restaurant concept. The decision to sell the concept was a result of the Company's continued focus on achieving minimum return on investment thresholds. The net assets to be sold as of June 29, 2005 totaled approximately $70.0 million and consisted primarily of property and equipment of $61.0 million. The sale is expected to be completed during the second quarter of fiscal 2006 at an estimated pre-tax loss of $3.0 to $5.0 million, including expenditures to complete construction-in-progress and selling costs.

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table summarizes the unaudited consolidated quarterly results of operations for fiscal 2005 and 2004 (in thousands, except per share amounts):

	Fiscal Year 2005 Quarters Ended			
	Sept. 29	Dec. 29	March 30	June 29
Revenues	$910,478	$950,793	$1,009,529	$1,042,050
Income before provision for income taxes	$ 7,788	$ 44,258	$ 81,333	$ 61,034
Net income	$ 13,909	$ 41,403	$ 55,144	$ 49,763
Basic net income per share	$ 0.15	$ 0.47	$ 0.63	$ 0.56
Diluted net income per share	$ 0.15	$ 0.44	$ 0.60	$ 0.55
Basic weighted average shares outstanding	89,761	87,505	88,109	88,746
Diluted weighted average shares outstanding	98,730	96,471	91,769	90,062

	Fiscal Year 2004			
	Quarters Ended			
	Sept. 24	Dec. 24	March 24	June 30
Revenues	$870,898	$886,490	$931,922	$1,018,176
Income before provision for income taxes	$ 64,709	$ 63,945	$ 11,674	$ 92,698
Net income	$ 43,873	$ 43,359	$ 6	$ 63,680
Basic net income per share	$ 0.45	$ 0.45	$ 0.00	$ 0.67
Diluted net income per share	$ 0.42	$ 0.42	$ 0.00	$ 0.62
Basic weighted average shares outstanding	97,404	96,156	95,973	94,854
Diluted weighted average shares outstanding	107,167	105,531	98,007	104,606

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Brinker International, Inc.:

We have audited the accompanying consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 29, 2005 and June 30, 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 29, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Brinker International, Inc. and subsidiaries as of June 29, 2005 and June 30, 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended June 29, 2005 in conformity with U. S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of June 29, 2005, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 8, 2005, except as to Note 15, which is as of August 16, 2005, expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

Dallas, Texas
August 8, 2005, except as to Note 15,
which is as of August 16, 2005

Report of Independent Registered Public Accounting Firm

The Board of Directors
Brinker International, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Brinker International, Inc. and subsidiaries maintained effective internal control over financial reporting as of June 29, 2005, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that Brinker International, Inc. and subsidiaries maintained effective internal control over financial reporting as of June 29, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Brinker International, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 29, 2005, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 29, 2005 and June 30, 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 29, 2005, and our report dated August 8, 2005, except as to Note 15, which is as of August 16, 2005, expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Dallas, Texas
August 8, 2005, except as to Note 15,
which is as of August 16, 2005

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.

The Company maintains a system of internal controls over financial reporting designed to provide reasonable assurance of the reliability of the consolidated financial statements. The Company's internal audit function monitors and reports on the adequacy of the compliance with the internal control system and appropriate actions are taken to address significant control deficiencies and other opportunities for improving the system as they are identified. The Audit Committee of the Board of Directors, which is comprised solely of outside directors, provides oversight to the financial reporting process through periodic meetings with our independent auditors, internal auditors, and management. Both our independent auditors and internal auditors have free access to the Audit Committee. Although no cost-effective internal control system will preclude all errors and irregularities, we believe our controls as of and for the year ended June 29, 2005 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 the Company's 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 29, 2005.

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.

Our management's assessment of the effectiveness of our internal control over financial reporting as of June 29, 2005 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its report which is included herein.

DOUGLAS H. BROOKS
Chairman of the Board, President and Chief Executive Officer

CHARLES M. SONSTEBY
Executive Vice President and Chief Financial Officer

EXHIBIT 21

BRINKER INTERNATIONAL, INC., A DELAWARE CORPORATION

SUBSIDIARIES

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

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

MAGGIANO'S/CORNER BAKERY BEVERAGE COMPANY, a Texas corporation
MAGGIANO'S/CORNER BAKERY HOLDING CORPORATION, a Delaware corporation
MAGGIANO'S/CORNER BAKERY, L.P., a Texas limited partnership
BRINKER VERMONT, INC., a Vermont corporation
BRINKER NEW ENGLAND I, LLC, a Delaware limited liability company
BRINKER NEW ENGLAND II, LLC, a Delaware limited liability company
BRINKER OF CHARLES COUNTY, INC., a Maryland corporation
BRINKER CORNER BAKERY, L.P., a Texas limited partnership
BRINKER CORNER BAKERY I, LLC, a Delaware limited liability company
BRINKER CORNER BAKERY II, LLC, a Delaware limited liability company
BRINKER MICHIGAN, INC., a Delaware 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 Registration Statement Nos. 33-61594, 33-56491, 333-02201, 333-93755, 333-42224, 333-105720, and 333-125289 on Form S-8, 333-74902 on Form S-3 and 333-116879 on Form S-4 of Brinker International, Inc. of our report dated August 8, 2005, except as to Note 15, which is as of August 16, 2005, with respect to the consolidated balance sheets of Brinker International, Inc. and subsidiaries as of June 29, 2005 and June 30, 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended June 29, 2005, management's assessment of the effectiveness of internal control over financial reporting as of June 29, 2005 and the effectiveness of internal control over financial reporting as of June 29, 2005, which reports appear in the Brinker International, Inc. 2005 Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K of Brinker International, Inc.

KPMG LLP

Dallas, Texas
September 9, 2005

EXHIBIT 31a

CERTIFICATION

I, Douglas H. Brooks, certify that:

1. I have reviewed this Annual Report on Form 10-K of Brinker International, Inc.;

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

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

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

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

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;

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

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

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

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

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

Date: September 9, 2005

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

EXHIBIT 31b

CERTIFICATION

I, Charles M. Sonsteby, certify that:

1. I have reviewed this Annual Report on Form 10-K of Brinker International, Inc.;

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

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

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

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

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acceptable accounting principles;

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

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

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

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

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

Date: September 9, 2005

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

EXHIBIT 32(a)

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Brinker International, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended June 29, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 9, 2005

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 29, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 9, 2005

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