OUTBACK STEAKHOUSE INC
Form 10-Q/A
December 10, 2003

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 Q/A
(Amendment No. 1)

(Mark One)

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

For the quarterly period ended June 30, 2003

OR

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

For the transition period from ____________ to ____________.

1-15935
(Commission File Number)

OUTBACK STEAKHOUSE, INC.

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**59-3061413** (I.R.S. Employer Identification No.)
2202 N. West Shore Boulevard, Suite 500 **Tampa, Florida** (Address of principal executive offices)	**33607** (Zip Code)

(813) 282-1225
(Registrant's telephone number, including area code)

Indicate by check mark whether 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 report(s)), and (2) has been subject to such filing requirements for the past 90 days.

YES x NO o

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

YES x NO o

As of August 11, 2003, the registrant had outstanding 74,919,231 shares of Common Stock, $.01 par value.

EXPLANATORY NOTE

The Company is filing this Amendment No. 1 to Quarterly Report on Form 10-Q/A to restate the unaudited financial statements of Outback Steakhouse, Inc. for the quarter ended June 30, 2003 and to revise certain disclosures. The Company has also filed an Amendment No. 1 to Annual Report on Form 10-K to restate the audited financial statements of the Company for the fiscal years ended December 31, 2002, 2001 and 2000. The Amendments are in response to comments received from the Staff of the Division of Corporation Finance of the U.S. Securities and Exchange Commission in connection with its review of our periodic filings. We disclosed in our Quarterly Report on Form 10-Q for the third quarter ended September 30, 2003 that we would be restating our results.

The restatement reflects accounting for the Company's employee partner programs as compensation arrangements instead of as ownership interests. Additionally, the Company has provided additional disclosure on its consolidation policy. The Items of the Company's Quarterly Report on Form 10-Q as of and for the quarter ended June 30, 2003 which are amended and restated are as follows: Item 1 –Financial Statements, and Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations.

The remaining Items contained within this Amendment No. 1 to Quarterly Report on Form 10-Q/A consist of all other Items originally contained in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 in the form filed on August 14, 2003. This Form 10-Q/A does not reflect events occurring after the filing of the original Form 10-Q, nor modify or update those disclosures in any way other than as required to reflect the effects of the restatement, except for the "Consolidation of Variable Interest Entities" and "Stock Based Compensation" disclosed in Notes 11 and 12 to the Notes to Unaudited Consolidated Financial Statements.

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OUTBACK STEAKHOUSE, INC.

QUARTERLY REPORT ON FORM 10 Q
For the Period Ended June 30, 2003

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PART I: FINANCIAL INFORMATION

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PART I: FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

OUTBACK STEAKHOUSE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2003 (unaudited) (restated)	December 31, 2002 (restated)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 129,176	$ 187,578
Short term investments	14,099	20,576
Inventories	49,093	34,637
Deferred income tax asset	12,082	12,105
Other current assets	43,292	31,386
Total current assets	247,742	286,282
Property, fixtures and equipment, net	959,081	915,022
Investments in and advances to unconsolidated affiliates, net	34,073	38,180
Goodwill	60,464	46,337
Other assets	67,091	67,011
	$ 1,368,451	$ 1,352,832

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 52,540	$ 54,519
Sales taxes payable	18,716	16,205
Accrued expenses	75,988	70,127
Unearned revenue	20,450	68,926
Income taxes payable	-	15,647
Current portion of long-term debt	39,633	17,464
Total current liabilities	207,327	242,888
Partner deposit and accrued buyout liability	57,709	55,720
Deferred income tax liability	15,981	15,916
Long-term debt	14,257	14,436
Other long-term liabilities	5,189	6,189
Total liabilities	300,463	335,149
Commitments and contingencies		
Interest of minority partners in consolidated partnerships	50,372	43,400
Stockholders' equity		
Common stock, $0.01 par value, 200,000 shares authorized; 78,750 and 78,750 shares issued; 75,407 and 75,880 shares outstanding as of June 30, 2003 and December 31, 2002, respectively	788	788
Additional paid-in capital	246,438	240,083
Retained earnings	877,313	820,360
Accumulated other comprehensive loss	(728)	-
	1,123,811	1,061,231
Less treasury stock, 3,343 shares and 2,870 shares at June 30, 2003 and December 31, 2002, respectively, at cost	(106,195)	(86,948)
Total stockholders' equity	1,017,616	974,283
	$ 1,368,451	$ 1,352,832

See notes to unaudited consolidated financial statements.

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OUTBACK STEAKHOUSE, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands except per share data, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003 (restated)	2002 (restated)	2003 (restated)	2002 (restated)
Revenues				
Restaurant sales	$ 684,125	$ 591,422	$ 1,330,797	$ 1,165,977
Other revenues	5,136	4,778	10,142	9,212

Total revenues	689,261	596,200	1,340,939	1,175,189
Costs and expenses				
Cost of sales	248,356	217,333	481,187	432,141
Labor & other related	168,201	144,659	327,151	282,961
Other restaurant operating	142,643	118,381	277,647	232,430
Distribution expense to employee partners, excluding stock expense	15,849	15,630	31,032	29,128
Employee partner stock buyout expense	1,435	1,022	2,690	1,953
Depreciation	20,558	18,024	40,511	35,360
General & administrative	24,982	22,207	47,478	43,336
Income from operations of unconsolidated affiliates	(1,650)	(1,524)	(2,939)	(3,050)
Total costs and expenses	620,374	535,732	1,204,757	1,054,259
Income from operations	68,887	60,468	136,182	120,930
Other income (expense), net	353	(570)	(590)	(887)
Interest income	431	630	973	1,165
Interest expense	(424)	(310)	(777)	(609)
Income before elimination of minority partners' interest and income taxes	69,247	60,218	135,788	120,599
Elimination of minority partners' interest	789	(161)	2,112	(164)
Income before provision for income taxes	68,458	60,379	133,676	120,763
Provision for income taxes	23,756	20,960	46,399	41,993
Income before cumulative effect of a change in accounting principle	44,702	39,419	87,277	78,770
Cumulative effect of a change in accounting principle (net of taxes)	-	-	-	(740)
Net income	$ 44,702	$ 39,419	$ 87,277	$ 78,030
Basic earnings per common share				
Income before cumulative effect of a change in accounting principle	$ 0.59	$ 0.51	$ 1.15	$ 1.02
Cumulative effect of a change in accounting principle (net of taxes)	-	-	-	(0.01)
Net income	$ 0.59	$ 0.51	$ 1.15	$ 1.01
Basic weighted average number of common shares outstanding	75,399	77,274	75,576	77,176
Diluted earnings per common share				
Income before cumulative effect of a change in accounting principle	$ 0.57	$ 0.49	$ 1.11	$ 0.98
Cumulative effect of a change in accounting principle (net of taxes)	-	-	-	(0.01)

Net income	$ 0.57	$ 0.49	$ 1.11	$ 0.97
Diluted weighted average number of common shares outstanding	78,437	80,406	78,324	80,223

See notes to unaudited consolidated financial statements.

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OUTBACK STEAKHOUSE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Six Months Ended June 30,	
	2003 (restated)	2002 (restated)
Cash flows from operating activities:		
Net income	$ 87,277	$ 78,030
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	40,511	35,360
Employee partner stock buyout expense	2,690	1,953
Cumulative effect of a change in accounting principle (net of taxes)	-	740
Minority partners' interest in consolidated partnerships' income	2,112	(164)
Income from operations of unconsolidated affiliates	(2,939)	(3,050)
Loss on disposal of property, fixtures and equipment	1,708	-
Change in assets and liabilities, net of effects of acquisitions:		
(Increase) decrease in inventories	(14,297)	9,741
(Increase) decrease in other current assets	(10,306)	6,611
Decrease in goodwill and other assets	5,384	11,643
Increase in accounts payable, sales taxes payable and accrued expenses	3,815	4,840
(Decrease) increase in partner deposit and accrued buyout liability	(701)	3,999
Decrease in unearned revenue	(48,476)	(42,641)
(Decrease) increase in income taxes payable	(10,109)	20,927
Increase in deferred income taxes	837	290
Decrease in other long-term liabilities	(1,000)	(825)
Net cash provided by operating activities	56,506	127,454
Cash flows used in investing activities:		
Purchase of investment securities	(21,270)	(21,918)

Maturities and sales of investment securities		27,747		21,661
Cash paid for acquisition of business, net of cash acquired		(2,069)		-
Capital expenditures		(78,954)		(88,420)
Proceeds from the sale of property, fixtures and equipment		2,223		-
Payments from unconsolidated affiliates		9,196		7,390
Distributions to unconsolidated affiliates		(2,028)		(3,125)
Investments in and advances to unconsolidated affiliates		(698)		(4,968)
Net cash used in investing activities		(65,853)		(89,380)
Cash flows from financing activities:				
Proceeds from issuance of long-term debt		1,781		3,923
Proceeds from minority partners' contributions		7,902		572
Distributions to minority partners		(1,053)		(1,707)
Repayments of long-term debt		(431)		(601)
Dividends paid		(18,169)		-
Payments for purchase of treasury stock		(58,459)		(30,136)
Proceeds from reissuance of treasury stock		19,374		24,792
Net cash used in financing activities		(49,055)		(3,157)
Net (decrease) increase in cash and cash equivalents		(58,402)		34,917
Cash and cash equivalents at beginning of period		187,578		115,928
Cash and cash equivalents at end of period	$	129,176	$	150,845
Supplemental disclosures of cash flow information:				
Cash paid for interest	$	829	$	613
Cash paid for income taxes	$	54,251	$	5,084
Non-cash investing activities:				
Purchase of minority partners and employee partners' interests in cash flows of their restaurants	$	8,402	$	7,876

See notes to unaudited consolidated financial statements.

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OUTBACK STEAKHOUSE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation and Restatement

The accompanying unaudited consolidated financial statements have been prepared by Outback Steakhouse, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company, all adjustments (consisting only of normal recurring entries) necessary for the fair presentation of the Company's results of operations, financial position and cash flows for the periods presented have been included.

The December 31, 2002 consolidated balance sheet has been derived from the audited consolidated financial statements but does not include all of the disclosures required by generally accepted accounting principles. These financial statements should be read in conjunction with the financial statements and financial notes thereto included in the Company's 2002 Annual Report on Form 10-K/A.

The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

RESTATEMENT

In connection with a review of the Company’s periodic filings by the staff of the Division of Corporation Finance of the U.S. Securities and Exchange Commission (the “Staff”), the Company is restating its Consolidated Financial Statements for the quarters ended June 30, 2003 and March 31, 2003 and for the years ended December 31, 2002, 2001 and 2000.

Since the Company’s inception, the Company has required its general managers to enter into a five to seven year employment agreement and pay the Company for the right to receive a percentage of their restaurant’s annual cash flows for the duration of the agreement. Upon completion of the employment agreement, the Company generally grants stock options to the general managers equal to an amount prescribed by a formula in their employment agreement. Stock option grants made under this plan are issued at the weighted average closing price of the Company’s Common Stock in the prior three months and are exercisable in periods up to 10 years. Options expire five years after the options become exercisable.

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OUTBACK STEAKHOUSE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation and Restatement (continued)

The Company has also required its area operating partners to enter into a five-year employment agreement and pay the Company for the right to receive a percentage of their restaurants’ annual cash flows for the duration of the agreement. Upon completion of the restaurant’s fifth year of operation, the Company generally grants Common Stock to the area operating partners equal to the fair value of the partners’ percentage of the cash flows.

The Company previously accounted for the arrangements under the general managers’ and area operating partners’ programs as ownership interests in the underlying restaurants. Accordingly, such interests were reflected as minority interests in the Consolidated Financial Statements. In addition, at the conclusion of the arrangements under the general managers’ program, the Company recorded an intangible asset, amortized over five years, for amounts paid in excess of the carrying amount of the minority interests. Under the area operating partners’ program, the Company recorded goodwill for value granted in excess of the minority interest’s share of the restaurant’s cash flow at the conclusion of the agreement.

As a result of the review of the Company’s periodic filings by the Staff, the Company is restating its Consolidated Financial Statements as noted above and is accounting for these arrangements under the general managers’ and area operating partners’ programs as compensation arrangements. Accordingly, amounts received from the Company’s general managers and area operating partners have now been recorded as other long-term liabilities. Payments made pursuant to both programs are now recognized as compensation expense in the period earned by the general managers and the area operating partners and included in the line “Distribution expense to employee partners, excluding stock expense” in the Consolidated Statements of Income. The Company now estimates future purchases of its area operating partners’ cash flow interests using current information on store performance to calculate and record a liability in the line item “Partner deposit and accrued buyout liability” in the Consolidated Balance Sheets, with associated expenses in the line “Employee partner stock buyout expense” in the Consolidated Statements of Income.

In addition to the restatements, certain amounts shown in the 2002 consolidated financial statements have been reclassified to conform to the 2003 presentation. These reclassifications did not have an effect on total assets, total liabilities, stockholders’ equity or net income.

The effects of the Company’s restatement on previously reported Consolidated Financial Statements as of December 31, 2002 and for the three and six months ended June 30, 2003 and 2002 are summarized below.

The following tables reflect the effect of the restatement on the Consolidated Statements of Income (in thousands):

	Three Months Ended June 30, 2003		Three Months Ended June 30, 2002	
	As previously reported	As restated	As previously reported	As restated
Selected Statement of Income Data:				
Distribution expense to employee partners, excluding stock expense	$ -	$ 15,849	$ -	$ 15,630
Employee partner stock buyout expense	-	1,435	-	1,022
Depreciation & amortization	21,209	20,558	18,738	18,024
Income from operations of unconsolidated affiliates	(1,689)	(1,650)	(1,549)	(1,524)
Total costs and expenses	603,702	620,374	519,769	535,732
Income from operations	85,559	68,887	76,524	60,468
Income before elimination of minority partners' interest and income taxes	85,919	69,247	76,181	60,218
Elimination of minority partners' interest	13,224	789	10,647	(161)
Income before provision for income taxes	72,695	68,458	65,534	60,379
Provision for income taxes	25,589	23,756	23,068	20,960
Income before cumulative effect of a change in accounting principle	47,106	44,702	42,466	39,419
Net income	47,106	44,702	42,466	39,419
Basic earnings per common share				
Net income	$ 0.62	$ 0.59	$ 0.55	$ 0.51
Diluted earnings per common share				
Net income	$ 0.60	$ 0.57	$ 0.53	$ 0.49

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OUTBACK STEAKHOUSE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation and Restatement (continued)

	Six Months Ended June 30, 2003		Six Months Ended June 30, 2002	
	As previously reported	As restated	As previously reported	As restated
Selected Statement of Income Data:				
Distribution expense to employee partners, excluding stock expense	$ -	$ 31,032	$ -	$ 29,128
Employee partner stock buyout expense	-	2,690	-	1,953
Depreciation & amortization	41,783	40,511	36,676	35,360
Income from operations of unconsolidated affiliates	(2,995)	(2,939)	(3,101)	(3,050)
Total costs and expenses	1,172,251	1,204,757	1,024,443	1,054,259
Income from operations	168,688	136,182	150,839	120,930
Income before elimination of minority partners' interest and income taxes	168,294	135,788	150,415	120,599

Elimination of minority partners' interest	26,051	2,112	21,015	(164)
Income before provision for income taxes	142,243	133,676	129,400	120,763
Provision for income taxes	50,070	46,399	45,549	41,993
Income before cumulative effect of a change in accounting principle	92,173	87,277	83,851	78,770
Cumulative effect of a change in accounting principle (net of taxes)	-	-	(4,422)	(740)
Net income	92,173	87,277	79,429	78,030
Basic earnings per common share				
Income before cumulative effect of a change in accounting principle	$ 1.22	$ 1.15	$ 1.09	$ 1.02
Cumulative effect of a change in accounting principle (net of taxes)	-	-	(0.06)	(0.01)
Net income	$ 1.22	$ 1.15	$ 1.03	$ 1.01
Diluted earnings per common share				
Income before cumulative effect of a change in accounting principle	$ 1.18	$ 1.11	$ 1.05	$ 0.98
Cumulative effect of a change in accounting principle (net of taxes)	-	-	(0.06)	(0.01)
Net income	$ 1.18	$ 1.11	$ 0.99	$ 0.97

The followingtable reflects the effect of the restatement on the Consolidated Balance Sheets (in thousands):

	June 30, 2003		December 31, 2002	
	As previously reported	As restated	As previously reported	As restated
Selected Balance Sheet Data:				
Investments in and advances to unconsolidated affiliates, net	$ 34,464	$ 34,073	$ 38,667	$ 38,180
Goodwill	108,358	60,464	85,842	46,337
Other assets and intangible assets, net	75,687	67,091	75,867	67,011
Total assets	1,425,332	1,368,451	1,401,680	1,352,832
Accrued expenses	70,989	75,988	66,360	70,127
Total current liabilities	202,328	207,327	239,121	242,888
Partner deposit and accrued buyout liability	-	57,709	-	55,720
Deferred income tax liability	50,410	15,981	47,470	15,916
Total liabilities	272,184	300,463	307,216	335,149
Interest of minority partners in consolidated partnerships	52,692	50,372	41,488	43,400
Additional paid-in capital	241,832	246,438	236,226	240,083
Retained earnings	964,759	877,313	902,910	820,360
Total stockholders' equity	1,100,456	1,017,616	1,052,976	974,283
Total liabilities and stockholders' equity	1,425,332	1,368,451	1,401,680	1,352,832

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OUTBACK STEAKHOUSE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation and Restatement (continued)

The following table reflects the effect of the restatement on the Consolidated Statements of Cash Flows (in thousands):

	Six Months Ended June 30, 2003		Six Months Ended June 30, 2002	
	As previously reported	As restated	As previously reported	As restated
Selected Cash Flow Data:				
Net income	$ 92,173	$ 87,277	$ 79,429	$ 78,030
Amortization	1,260	-	1,316	-
Employee partner stock buyout expense	-	2,690	-	1,953
Cumulative effect of a change in accounting principle (net of taxes)	-	-	4,422	740
Minority partners' interest in consolidated partnerships' income	26,051	2,112	21,015	(164)
Income from operations of unconsolidated affiliates	(2,995)	(2,939)	(3,101)	(3,050)
(Increase) decrease in goodwill, other assets and intangible assets, net	(3,865)	5,384	4,365	11,643
Increase in accounts payable, sales taxes payable and accrued expenses	2,583	3,815	3,226	4,840
(Decrease) increase in partner deposit and accrued buyout liability	-	(701)	-	3,999
Increase in deferred income taxes	2,963	837	9,961	290
Net cash provided by operating activities	76,213	56,506	149,806	127,454
Proceeds from minority partners' contributions	13,166	7,902	4,459	572
Distributions to minority partners	(26,024)	(1,053)	(27,946)	(1,707)
Net cash used in financing activities	(68,762)	(49,055)	(25,509)	(3,157)

2. Other Current Assets

Other current assets consisted of the following (in thousands):

	June 30, 2003 (unaudited)	December 31, 2002
Deposits (including income tax deposits of approximately $7,721 at June 30, 2003)	$ 12,618	$ 4,911
Accounts receivable	7,905	8,614
Accounts receivable franchisees	2,921	2,920
Prepaid expenses	18,089	14,255
Other current assets	1,759	686
	$ 43,292	$ 31,386

3. Property, Fixtures and Equipment, Net

Property, fixtures and equipment consisted of the following (in thousands):

June 30, 2003	December 31, 2002

	(unaudited)	
Land	$ 167,475	$ 166,600
Buildings & building improvements	491,187	454,682
Furniture & fixtures	131,909	119,450
Equipment	312,714	295,718
Leasehold improvements	219,750	201,975
Construction in progress	25,031	30,992
Accumulated depreciation	(388,985)	(354,395)
	$ 959,081	$ 915,022

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OUTBACK STEAKHOUSE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

4. Goodwill

The change in the carrying amount of goodwill for the six months ended June 30, 2003 is as follows (in thousands):

December 31, 2002, restated	$ 46,337
Acquisitions (see Note 10 of Notes to Unaudited Consolidated Financial Statements)	14,127
June 30, 2003, restated	$ 60,464

5. Other Assets

Other assets consisted of the following (in thousands):

	June 30, 2003 (unaudited)	December 31, 2002
Other assets	$ 53,591	$ 52,011
Deferred license fee, net of valuation provision of approximately $1,500 at June 30, 2003	13,500	15,000
	$ 67,091	$ 67,011

During January 2001, the Company entered into a ten-year licensing agreement with an entity owned by minority interest owners of certain non-restaurant operations. The licensing agreement transferred the right and license to use certain assets of these non-restaurant operations. License fees originally receivable under the agreement totaled approximately $22,000,000. During 2002, the Company agreed to defer certain scheduled payments and revise the remaining payment schedule.

In 2002, the licensee made additional payments towards amounts due under the licensing agreement. Accordingly, based upon meeting certain criteria necessary to record the sale of the assets subject to the licensing agreement, the Company reduced the net book value of the assets with the deferred gain associated with the transaction. No gain has been recognized on the transaction and the remaining deferred gain of approximately $1,189,000, as of June 30, 2003, associated with future licensing fees under the licensing agreement will not be recognized until such time as the amounts due under the licensing agreement are realized. (See Note 8 of Notes to Unaudited Consolidated Financial Statements.)

As of December 31, 2002, other assets includes approximately $5,569,000 in principal and accrued interest on loans made to Fleming's Prime Steakhouse II, LLC ("FPSH II"), the operator of three unaffiliated Fleming's Prime Steakhouses, which the Company had agreed to purchase. The value of these restaurants approximated the Company's carrying value of the loan as of December 31, 2002, as calculated by discounting the expected future after tax cash flows of the restaurants by an appropriate discount rate. For these restaurants, the Company used a cost of capital of 10% and a cash flow growth rate of 2%. The Company and FPSH II have agreed that the conveyance of the restaurants to the Company will satisfy the

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OUTBACK STEAKHOUSE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

5. Other Assets (continued)

outstanding balance. Subsequent to December 31, 2002, the restaurants were conveyed to the Company. (See Note 10 of Notes to Unaudited Consolidated Financial Statements).

Other assets also includes approximately $10,059,000 in loans to the Company's operating partner in the Outback/Fleming's, LLC (the "LLC") for its partner's share of capital to build new restaurants required beyond the initial capital contributed by the Company pursuant to the partnership agreement. The Company expects to continue to make advances to its operating partner for the construction of new restaurants, and the assets of the partnership will continue to collateralize these advances. The Company periodically assesses the loan balance for impairment, which is generally measured by expected future cash flows of the restaurant system as compared to the partner's interest in the partnership. The Company has a 50% ownership interest in the LLC, and is subject to a purchase or sale option after the twentieth restaurant is opened, which may require the Company to purchase an additional 40% in the LLC at a market value as determined by the terms of the partnership agreement.

6. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	June 30, 2003 (unaudited) (restated)	December 31, 2002 (restated)
Accrued payroll and other compensation	$ 31,339	$ 25,877
Accrued insurance	19,783	17,002
Accrued property taxes	9,566	8,361
Other accrued expenses	15,300	18,887
	$ 75,988	$ 70,127

During the year ended December 31, 2002, the Company recorded a provision for impaired assets and restaurant closings of approximately $5,281,000. Remaining accrued restaurant closing expenses of approximately $300,000 were included in other accrued expenses as of December 31, 2002, and there were no remaining restaurant closing accruals as of June 30, 2003.

7. Long-term Debt

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

	June 30, 2003 (unaudited)	December 31, 2002
Revolving line of credit, interest at 1.92% and 2.39% at June 30, 2003 and December 31, 2002, respectively	$ 10,000	$ 10,000
Notes payable to Korean banks, uncollateralized, interest rates ranging from 6.00% to 6.30% at June 30, 2003 and 6.50% to 6.75% at December 31, 2002	19,516	16,353
Notes payable to Japanese banks, uncollateralized, interest rates ranging from 0.56% to 1.88% at June 30, 2003	18,796	-
Other notes payable, uncollateralized, interest rates ranging from 2.54% to 6.65% at June 30, 2003 and 3.07% to 6.65% at December 31, 2002	5,578	5,547
	53,890	31,900
Less current portion	39,633	17,464
Long-term debt	$ 14,257	$ 14,436

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OUTBACK STEAKHOUSE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

7. Long-term Debt (continued)

LONG-TERM DEBT

The Company has an uncollateralized revolving line of credit which permits borrowing of up to a maximum of $125,000,000 at 57.5 basis points over the 30, 60, 90 or 180 day London Interbank Offered Rate (LIBOR) (all approximately 1.12% at June 30, 2003 and ranging from 1.37% to 1.44% at December 31, 2002). At June 30, 2003 and December 31, 2002 the unused portion of the revolving line of credit was $115,000,000. The credit agreement requires payment of a credit facility fee of 17.5 basis points on the total facility and matures in December 2004.

The Company has a $15,000,000 uncollateralized line of credit bearing interest at rates ranging from 57.5 to 95.0 basis points over LIBOR. Approximately $7,102,000 and $4,042,000 of the line of credit was committed for the issuance of letters of credit at June 30, 2003 and December 31, 2002, respectively, as required by insurance companies that underwrite the Company’s workers compensation insurance. The remaining $7,898,000 at June 30, 2003 is available to the Company.

The Company has notes payable with banks bearing interest at rates ranging from 6.00% to 6.30% for the Company’s Korean operations. As of June 30, 2003 and December 31, 2002, the outstanding balance was approximately $19,516,000 and $16,353,000, respectively. The notes are denominated and payable in Korean won and mature at dates ranging from August 2003 to April 2004.

In April 2003, the Company obtained a controlling interest in its franchisee operations in Japan. As a result, the Company became directly liable for borrowings outstanding upon closing of the transaction that it had previously guaranteed. (See Note 10 of Notes to Unaudited Consolidated Financial Statements.) As of June 30, 2003, the Company has two uncollateralized lines of credit that permit borrowing of up to $20,000,000 for its Outback Steakhouses in Japan bearing interest at rates ranging from 0.56% to 1.88%. The lines of credit are denominated and payable in Japanese yen and renew every six months, with outstanding balances maturing at dates ranging from July 2003 through June 2004. At June 30, 2003, the borrowings totaled approximately $18,796,000.

DEBT GUARANTEES

The Company is the guarantor of an uncollateralized line of credit that permits borrowing of up to $35,000,000, maturing in December 2004, for one of its franchisees. At June 30, 2003 and December 31, 2002, the outstanding balance was approximately $28,381,000 and $28,496,000, respectively.

The Company is the guarantor of an uncollateralized line of credit that permits borrowing of up to a maximum of $24,500,000, maturing in December 2004, for its joint venture partner in the development of Roy's restaurants. At June 30, 2003 and December 31, 2002, the outstanding balance was approximately $20,673,000 and $19,939,000, respectively.

The Company is the guarantor of bank loans made to certain franchisees operating Outback Steakhouse restaurants. At June 30, 2003 and December 31, 2002, the outstanding balance on these loans was approximately $120,000 and $195,000, respectively. Subsequent to June 30, 2003, the Company acquired the restaurants of these franchisees. As a result, the Company became directly liable for borrowings outstanding upon closing of the transaction. (See Note 13 of Notes to Unaudited Consolidated Financial Statements).

The Company is the guarantor of up to $9,445,000 of a $68,000,000 note for an unconsolidated affiliate in which the Company has a 22.22% equity interest and for which the Company operates catering and concession facilities. Payments on this note begin in December 2003 with final maturity December 2022. At June 30, 2003 and December 31, 2002, the outstanding balance on the note was approximately $68,000,000.

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OUTBACK STEAKHOUSE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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7. Long-term Debt (continued)

The Company's contractual debt obligations and debt guarantees as of June 30, 2003 are summarized in the table below (in thousands):

	Total	Current Portion	Long-term Portion
Debt	$ 53,890	$ 39,633	$ 14,257
Debt guarantees	$ 69,065	$ 321	$ 68,744
Amount outstanding under debt guarantees	$ 58,619	$ 321	$ 58,298

8. Other Long-term Liabilities

Other long-term liabilities consisted of the following (in thousands):	June 30, 2003 (unaudited)	December 31, 2002
Accrued insurance	$ 4,000	$ 4,000
Other deferred liability	1,189	2,189
	$ 5,189	$ 6,189

In January 2001, the Company entered into a ten-year licensing agreement with an entity owned by minority interest owners of certain non-restaurant operations. The licensing agreement transferred the right and license to use certain assets of these non-restaurant operations. The Company has deferred recognition of any gain associated with the transaction until such time as the amounts due under the licensing agreement are realized. (See Note 5 of Notes to Unaudited Consolidated Financial Statements.)

9. Foreign Currency Translation and Comprehensive Income

For all significant non-U.S. operations, the functional currency is the local currency. Assets and liabilities of those operations are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates for the reporting period. Translation gains and losses are reported as a separate component of accumulated other comprehensive income (loss) in stockholders' equity.

Comprehensive income includes net income and foreign currency translation adjustments. Total comprehensive income for the six months ended June 30, 2003 was approximately $86,549,000, which included the effect of losses from translation adjustments of approximately $728,000.

10. Business Combinations

In January 2003, the Company acquired two restaurants from FPSH II, which the Company had previously agreed to purchase. The estimated fair market value of the assets received was deemed to satisfy outstanding principal and accrued interest on amounts owed by FPSH II to the Company of approximately $5,569,000. As a result of this transaction, the Company recorded goodwill of approximately $3,674,000, all of which is expected to be deductible for income tax purposes.

In April 2003, the Company obtained a controlling interest in its franchise operating restaurants in Japan. The results of the Japanese operations and the associated minority interest have been reflected in the consolidated financial statements since that date. As part of this realignment, the Company contributed approximately $2,488,000 in capital and became directly liable for approximately $19,741,000 of debt that the Company previously guaranteed for the franchise. (See Note 7 of Notes to Unaudited Consolidated Financial Statements.) As a result of this transaction, the Company recorded goodwill of approximately $10,440,000, none of which is expected to be deductible for income tax purposes.

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OUTBACK STEAKHOUSE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

11. Recently Issued Financial Accounting Standards

"Business Combinations" and "Goodwill and Other Intangible Assets"

On June 30, 2001, the Financial Accounting Standards Board ("FASB") finalized SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method of accounting. With the adoption of SFAS No. 142 effective January 1, 2002, goodwill is no longer subject to amortization. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value-based test. Under the new rules, an acquired intangible asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented, or exchanged regardless of the acquirer's intent to do so. These intangible assets will be required to be amortized over their useful lives. Generally, the Company performs its annual assessment for impairment during the third quarter of its fiscal year unless facts and circumstances require differently.

In connection with the adoption of SFAS No. 142, the Company completed the transitional impairment testing of goodwill during the six months ended June 30, 2002. The adoption was made effective as of the beginning of 2002. The transitional impairment testing resulted in an initial goodwill impairment charge of approximately $740,000, net of taxes of approximately $446,000 during 2002, as restated. In accordance with SFAS No. 142, the initial impairment charge was recorded as a cumulative effect of a change in accounting principle in the Company's Consolidated Statements of Income for the six-month period ended June 30, 2002.

"Accounting for Asset Retirement Obligations"

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. Statement No. 143 is effective for fiscal years beginning after June 15, 2002, with earlier application encouraged. The Company does not expect the implementation of SFAS No. 143 to have a material impact on its financial statements.

“Accounting for the Impairment or Disposal of Long-Lived Assets”

In August 2001, SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” was issued, replacing SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of,” and portions of APB Opinion 30, “Reporting the Results of Operations.” SFAS No. 144 provides a single accounting model for long-lived assets to be disposed of and changes the criteria that would have to be met to classify an asset as held-for-sale. SFAS No. 144 retains the requirement of APB Opinion 30 to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that either has been disposed of or is classified as held for sale. SFAS No. 144 is effective January 1, 2002 and was adopted by the Company as of that date. The adoption of SFAS No. 144 did not have a material impact on the Company’s financial condition or results of operations in the six months ended June 30, 2003.

“Accounting for Exit or Disposal Activities”

In June 2002, the FASB issued SFAS No. 146, “Accounting for Exit or Disposal Activities”. SFAS No. 146 addresses significant issues regarding the recognition, measurement and reporting of costs that are associated with exit and disposal

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OUTBACK STEAKHOUSE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

11. Recently Issued Financial Accounting Standards (continued)

activities, including restructuring activities that are currently accounted for pursuant to the guidance that the Emerging Issues Task Force (“EITF”) has set forth in EITF Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)”. The scope of SFAS No. 146 also includes (1) costs related to terminating a contract that is not a capital lease and (2) termination benefits that employees who are involuntarily terminated receive under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. The Company has adopted SFAS No. 146 effective January 1, 2003. The adoption did not have a material impact on the Company’s financial condition or results of operations in the six months ended June 30, 2003.

“Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others”

In November 2002, the FASB issued Interpretation No. 45 (“FIN 45”), “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect of Indebtedness of Others.” FIN 45 requires that upon the issuance of a guarantee, the guarantor must recognize the liability for the fair value of the obligation it assumes under the guarantee. FIN 45 provides that initial recognition and measurement should be applied on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor’s fiscal year end. The disclosure requirements are effective for financial statements of both interim and annual periods that end after December 15, 2002. The Company has complied with the disclosure requirements and is in the process of determining the impact, if any, of adopting the provisions for initial recognition and measurement for guarantees issued or modified after December 31, 2002. The Company did not have any modifications of outstanding guarantees in the six months ended June 30, 2003.

“Accounting for Stock-Based Compensation – Transition and Disclosure”

In December 2002, the FASB issued SFAS No. 148, “Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of SFAS No. 123.” This standard amends SFAS 123, “Accounting for Stock-Based Compensation,” to provide alternative methods of transition for companies that voluntarily change to the fair value based method of accounting for stock-based employee compensation. It also requires prominent disclosure about the effects on reported net income of a company’s accounting policy decisions with respect to stock-based employee compensation in both annual and interim financial statements. The transition provisions and annual disclosure requirements are effective for all fiscal years ending after December 15, 2002, while the interim period disclosure requirements are effective for all interim periods beginning after December 15, 2002. (See Note 12 of Notes to Unaudited Consolidated Financial Statements.)

"Consolidation of Variable Interest Entities"

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." This interpretation of Accounting Research Bulletin 51, "Consolidated Financial Statements," addresses consolidation by business enterprises of variable interest entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. The interpretation requires that if a business enterprise has a controlling financial interest in a variable interest entity, the assets, liabilities, and results of the activities of the variable interest entity must be included in the consolidated financial statements with those of the business enterprise.

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OUTBACK STEAKHOUSE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

11. Recently Issued Financial Accounting Standards (continued)

This interpretation applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date. FIN 46 initially applied to preexisting variable interest entities no later than the beginning of the first interim reporting period beginning after June 15, 2003. However, the implementation deadline has been delayed by the FASB to periods ending after December 15, 2003. The Company invests in joint ventures that operate certain of its restaurants, which may be considered variable interest entities and which may require consolidation beginning in the fourth quarter of 2003.

The Company's joint ventures in the Outback/Fleming's LLC (the "LLC") and the Roy's/Outback Joint Venture (the "Roy's JV") are currently consolidated. These ventures would be considered variable interest entities under the provisions of FIN 46, and the Company believes it will continue to consolidate them upon adoption of that interpretation. The LLC and the Roy's JV restaurant systems each consist of approximately 13 restaurants as of June 30, 2003. The Company's maximum exposure to loss as a result of its involvement with the LLC is estimated to be the investment in the LLC and outstanding loans to its partner in the LLC (see Note 5 of Notes to Unaudited Consolidated Financial Statements) and totals approximately $33,118,000 at June 30, 2003. The Company's maximum exposure to loss as a result of its involvement with the Roy's JV is estimated to be the investment in the Roy's JV and the outstanding debt guarantee on a line of credit for the Company's partner in the Roy's JV (see Note 7 of Notes to Unaudited Consolidated Financial Statements) and totals approximately $41,129,000 at June 30, 2003.

The Company has ownership interests in 43 unconsolidated development joint venture restaurants. These ventures could be characterized as variable interest entities under the final interpretations of FIN 46, and the Company may be required to consolidate them upon adoption of that interpretation. The Company does not believe that consolidation of these entities would materially impact its Consolidated Financial Statements.

The Company has a minority investment in an unconsolidated affiliate in which we have a 22.22% equity interest and for which we operate catering and concession facilities. Additionally, the Company guarantees a portion of the affiliate's debt (see Note 7 of Notes to Unaudited Consolidated Financial Statements). Although the Company holds an interest in this variable interest entity, it is currently believed that the Company is not the primary beneficiary of this entity and therefore will not consolidate its results upon adoption of FIN 46.

The Company is a franchisor of 160 restaurants and is currently assessing the impact of FIN 46 on the status of those franchisees as variable interest entities. As of the date of this filing, the FASB is in the process of modifying and/or clarifying certain provisions of FIN 46. Additionally, certain FASB Staff Positions ("FSPs") relating to FIN 46 are being deliberated. These modifications and FSPs, when finalized, could impact the Company's analysis of the applicability of FIN 46 to entities that are franchisees of its concepts. The Company does not possess any ownership interests in its franchisees and generally does not provide financial support to franchisees in its typical franchise relationship. However, the Company does guarantee an uncollateralized line of credit that permits borrowing of up to $35,000,000, maturing in December 2004, for one of its franchisees (see Note 7 of Notes to Unaudited Consolidated Financial Statements). Depending on the final adoption provisions and interpretations of FIN 46, the Company may be required to consolidate certain of its franchisees, which could have a material effect on the Consolidated Financial Statements, and the Company is unable to quantify the total impact as of the date of this filing.

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OUTBACK STEAKHOUSE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

12. Stock-Based Compensation

The Company accounts for stock-based compensation under the intrinsic value method and has disclosed pro forma net income and earnings per share amounts using the fair value based method prescribed by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." (See "Recently Issued Financial Accounting Standards" in Note 11 of Notes to Unaudited Consolidated Financial Statements.)

	Three months ended June 30,		Six months ended June 30,	
	2003 (restated)	2002 (restated)	2003 (restated)	2002 (restated)
Net income	$ 44,702	$ 39,419	$ 87,277	$ 78,030
Stock-based employee compensation expense included in net income, net of related tax effects	898	751	1,701	1,445
Total stock-based employee compensation expense determined under fair value based method, net of related tax effects	(4,105)	(2,678)	(8,037)	(6,576)
Pro forma net income	$ 41,495	$ 37,492	$ 80,941	$ 72,899
Earnings per common share:				
Basic - as reported	$ 0.59	$ 0.51	$ 1.15	$ 1.01
Basic - pro forma	$ 0.55	$ 0.49	$ 1.07	$ 0.94
Diluted - as reported	$ 0.57	$ 0.49	$ 1.11	$ 0.97
Diluted - pro forma	$ 0.53	$ 0.47	$ 1.03	$ 0.91

13. Subsequent Event

On July 23, 2003, the Company announced that its Board of Directors declared a quarterly dividend of $0.12 per share of the Company's Common Stock. The dividend is payable September 5, 2003 to shareholders of record as of August 22, 2003.

On July 1, 2003, the Company acquired from a franchisee 14 Outback Steakhouse restaurants operating in Alabama and Florida for approximately $29,500,000 in cash and the retirement of approximately $1,200,000 in the franchisee's debt.

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OUTBACK STEAKHOUSE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with the Unaudited Consolidated Financial Statements and the related Notes. Comparisons to reported amounts for 2002 are based upon restated results as discussed in Note 1 of the Notes to Unaudited Consolidated Financial Statements.

Results of Operations (unaudited)

The following tables set forth, for the periods indicated, (i) the percentages that the items in our Unaudited Consolidated Statements of Income bear to total revenues, or restaurant sales as indicated, and (ii) selected operating data:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003 (restated)	2002 (restated)	2003 (restated)	2002 (restated)
Revenues				
Restaurant sales	99.3%	99.2%	99.2%	99.2%
Other revenues	0.7	0.8	0.8	0.8
Total Revenues	100.0	100.0	100.0	100.0
Costs and expenses:				
Cost of sales (1)	36.3	36.7	36.2	37.1
Labor & other related (1)	24.6	24.5	24.6	24.3
Other restaurant operating (1)	20.9	20.0	20.9	19.9
Distribution expense to employee partners, excluding stock expense	2.3	2.6	2.3	2.5
Employee partner stock buyout expense	0.2	0.2	0.2	0.2
Depreciation & amortization	3.0	3.0	3.0	3.0
General & administrative	3.6	3.7	3.5	3.7
Income from operations of unconsolidated affiliates	(0.2)	(0.3)	(0.2)	(0.3)
Total costs and expenses	90.0	89.9	89.8	89.7
Income from operations	10.0	10.1	10.2	10.3
Other income (expense), net	*	(0.1)	(0.1)	(0.1)
Interest income	0.1	0.1	0.1	0.1
Interest expense	(0.1)	(*)	(0.1)	(*)
Income before elimination of minority partners' interest and income taxes	10.0	10.1	10.1	10.3
Elimination of minority partners' interest	0.1	(*)	0.2	(*)
Income before provision for income taxes	9.9	10.1	10.0	10.3
Provision for income taxes	3.4	3.5	3.5	3.6
Income before cumulative effect of a change In accounting principle	6.5	6.6	6.5	6.7
Cumulative effect of a change in accounting principle (net of taxes)	-	-	-	(0.1)
Net income	6.5%	6.6%	6.5%	6.6%

(1) As a percentage of restaurant sales.

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OUTBACK STEAKHOUSE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations (unaudited) (continued)

System-wide sales grew by 13.3%, to $833,000,000, for the quarter and by 12.2%, to $1,628,000,000, for the six-month period ended June 30, 2003. System-wide sales is a non-GAAP financial measure that includes sales of all restaurants operating under our brand names, whether we own them or not. The two components of system-wide sales, including those of Outback Steakhouse, Inc. and those of franchisees and unconsolidated development joint ventures, is provided below:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2003	2002	2003	2002
OUTBACK STEAKHOUSE, INC. RESTAURANT SALES (in millions):				
Outback Steakhouses				
Domestic	$ 530	$ 490	$ 1,035	$ 964
International	25	13	46	25
Total	555	503	1,081	989
Carrabba's Italian Grills	81	62	157	124
Other restaurants	48	26	93	53
Total Company-owned restaurant sales	$ 684	$ 591	$ 1,331	$ 1,166

The following information presents sales for the franchised and unconsolidated development joint venture restaurants. These are restaurants that are not owned by us and from which we only receive a franchise royalty or a portion of their total net income. Management believes that franchise and unconsolidated development joint venture sales information is useful in analyzing our revenues because franchisees and affiliates pay service fees and/or royalties that generally are based on a percent of sales. Management also uses this information to make decisions about future plans for the development of additional restaurants and new concepts as well as evaluation of current operations.

These sales do not represent sales of Outback Steakhouse, Inc., and are presented only as an indicator of the changes in the restaurant system, which we believe is important information regarding the health of our restaurant brands.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2003	2002	2003	2002
FRANCHISE AND DEVELOPMENT JOINT VENTURE SALES (in millions) (1):				
Outback Steakhouses				
Domestic	$ 102	$ 97	$ 200	$ 190
International	20	22	44	45

Total	122	119	244	235
Carrabba's Italian Grills	23	23	45	45
Other restaurants	4	2	8	5
Total franchise and development joint venture sales (1)	$ 149	$ 144	$ 297	$ 285

(1) Franchise and development joint venture sales are not included in Company revenues as reported in our Consolidated Statements of Income.

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OUTBACK STEAKHOUSE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations (unaudited) (continued)

	June 30, 2003	June 30, 2002
Number of restaurants (at end of the period):		
Outback Steakhouses		
Company owned– domestic	594	562
Company owned – international	45	27
Franchised and development joint venture– domestic	119	118
Franchised and development joint venture- international	49	52
Total	807	759
Carrabba's Italian Grills		
Company owned	103	79
Development joint venture	29	29
Total	132	108
Fleming’s Prime Steakhouse and Wine Bars		
Company owned	18	13
Roy’s		
Company owned	16	13
Franchised and development joint venture	2	2
Total	18	15
Lee Roy Selmon’s		

Company owned	2	1
Bonefish Grills		
Company owned	20	6
Franchised and developed joint venture	4	1
Total	24	7
Cheeseburger in Paradise		
Company owned	1	-
System-wide total	1,002	903

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OUTBACK STEAKHOUSE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three months ended June 30, 2003 and 2002 (unaudited)

REVENUES

*Restaurant sales.*Restaurant sales increased by 16% to $684,125,000 during the second quarter of 2003 compared with $591,422,000 in the same period in 2002. The increase in restaurant sales was primarily attributable to the opening of new restaurants after June 30, 2002. The following table includes additional activities that influenced the changes in restaurant sales at domestic Company owned restaurants for the three months ended June 30, 2003 and 2002:

	Three Months Ended June 30,			
	2003		2002	
Average unit volumes (weekly) for restaurants opened for one year or more (in thousands):				
Outback Steakhouses	$	68,801	$	68,139
Carrabba's Italian Grills	$	62,460	$	61,395
Average unit volumes (weekly) for restaurants opened for less than one year (in thousands):				
Outback Steakhouses	$	68,190	$	55,968
Carrabba's Italian Grills	$	61,814	$	64,273
Restaurant operating weeks				
Outback Steakhouses		7,612		7,175
Carrabba's Italian Grills		1,304		1,005
Year to year percentage change:				
Menu price increases (1)				
Outback Steakhouses		1.70%		1.50%
Carrabba's Italian Grills		1.30%		0.20%
Same-store sales (stores open 18 months or more):				
Outback Steakhouses		2.30%		-0.30%

Carrabba's Italian Grills	1.60%	1.20%

(1) Reflects nominal amounts of menu price changes, prior to any change in product mix because of price increases, and may not reflect amounts effectively paid by the customer.

Other revenues. Other revenues, consisting primarily of initial franchise fees and royalties, increased by $358,000 to $5,136,000 during the second quarter of 2003, compared with $4,778,000 in the same period in 2002. The increase was attributable to higher royalties from additional stores operated as franchises during the second quarter of 2003 compared with the same period in 2002. The increase was partially offset by our decision to allow 14 of our international franchised restaurants in certain markets to spend the royalties due to us on additional advertising to increase brand awareness and penetration in new markets.

COSTS AND EXPENSES

Cost of sales. Cost of sales as a percentage of restaurant sales decreased by 0.4% to 36.3% in the second quarter of 2003 compared with 36.7% in the same period in 2002. The decrease was attributable to commodity cost decreases for beef, and shrimp, and a 1% price increase at Outback Steakhouses, partially offset by higher lobster, fresh fish and produce costs, particularly onions and romaine lettuce. The decrease was also attributable to an increase in the proportion of consolidated sales and cost of sales associated with our non-Outback Steakhouse restaurants, which operate at lower cost of goods sold levels than Outback Steakhouses.

Labor and other related expenses. Labor and other related expenses include all direct and indirect labor costs incurred in operations, except for distribution expense to employee partners and employee partner stock buyout expense, described below. Labor and other related expenses increased as a percentage of restaurant sales by 0.1% to 24.6% in the second quarter of 2003 compared with 24.5% in the same period in 2002. The increase resulted from higher

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Three months ended June 30, 2003 and 2002 (unaudited) (continued)

employee health insurance and benefits costs and state unemployment taxes, offset by higher average unit volumes at both domestic and international Outback Steakhouses, and at Fleming’s Prime Steakhouses and Roy’s.

Other restaurant operating expenses. Other restaurant operating expenses include all other unit-level operating costs, the major components of which are operating supplies, rent, repairs and maintenance, advertising expenses, utilities, pre-opening costs and other occupancy costs. A substantial portion of these expenses are fixed or indirectly variable. These costs increased by 0.9% of restaurant sales to 20.9% in the second quarter of 2003, compared with 20.0% in the same period in 2002. The increase was attributable to increased advertising expense, higher credit card discounts, higher natural gas, preopening, and supply costs and increased repairs and maintenance for remodeled Outback Steakhouses, partially offset by higher average unit volumes at both domestic and international Outback Steakhouses, Fleming’s Prime Steakhouses and Roy’s. The increase was also attributable to an increase in the proportion of new format restaurants and international Outback Steakhouses in operation which have higher average restaurant operating expenses as a percentage of restaurant sales than domestic Outback Steakhouses and Carrabba’s Italian Grills.

Distribution expense to employee partners, excluding stock expense. Distribution expense to employee partners, excluding stock expense, includes distributions of restaurant cash flows to managing partners and area operating partners pursuant to their interest agreements and cash buyouts of managing partners’ rights in the cash flows of their restaurants. These costs as a percentage of total revenues decreased 0.3% to 2.3% in the second quarter of 2003, compared with 2.6% in the same period in 2002. Decreases in distributions to area operating partners as a result of buyouts occurring after June 30, 2002 and fewer cash buyouts of managing partners occurring in the second quarter of 2003 compared to the same period in 2002, were partially offset by an increase in overall restaurant operating margins across the consolidated brands.

Employee partner stock buyout expense. Employee partner stock buyout expense includes non-cash expenses recorded for the accrual of future buyouts of area operating partners’ rights in the cash flows of their restaurants. Upon buyout, area operating partners generally receive common stock in exchange for their rights in the cash flows of a restaurant. Employee partner stock buyout expense as a percentage of total revenues remained at 0.2% of total revenues in the second quarter of 2003, compared with the same period in 2002. Increases in expense due to new restaurants opened by area operating partners and increased overall restaurant operating margins across the consolidated brands were offset by buyouts of existing restaurants.

Depreciation. Depreciation costs as a percentage of total revenues remained at 3.0% in the second quarter of 2003 as compared to the same period in 2002. Additional depreciation related to new unit development and higher depreciation costs for the new restaurant formats, which have higher average construction costs than an Outback Steakhouse, were offset by higher average unit volumes at both domestic and international Outback Steakhouses, Fleming's Prime Steakhouses and Roy's.

General and administrative. General and administrative costs increased by $2,775,000 to $24,982,000 in the second quarter of 2003 compared with $22,207,000 during the same period in 2002. This increase resulted from an increase in overall administrative costs associated with operating additional domestic and international Outback Steakhouses, Carrabba's Italian Grills, Fleming's Prime Steakhouses, Roy's and Bonefish Grills, as well as costs associated with the development of new restaurant formats.

Income from operations of unconsolidated affiliates. Income from operations of unconsolidated affiliates represents our portion of the income from restaurants operated as development joint ventures. Income from the development joint ventures was $1,650,000 during the second quarter of 2003 compared with income of $1,524,000 during the same period in 2002. This increase was attributable to improved performance at Brazilian development joint venture Outback Steakhouses offset by lower average unit volumes at Carrabba's Italian Grills operated as development joint ventures.

Income from operations. As a result of the increase in revenues, the changes in the relationship between revenues and expenses discussed above and the opening of new restaurants, income from operations increased by $8,419,000 to $68,887,000 in the second quarter of 2003 compared with $60,468,000 in the same period in 2002.

Other income (expense), net. Other income (expense) includes the net of revenues and expenses from non-restaurant operations. Net other income was $353,000 during the second quarter of 2003 compared with net other expense of $570,000 in the same period in 2002. The change in net other income (expense) in 2003 is primarily the result of changes in the cash surrender value of certain life insurance policies from a loss of approximately $800,000 in the second quarter of 2002 to a gain of approximately $500,000 in the same period in 2003.

Interest income. Interest income was $431,000 during the second quarter of 2003 compared with interest income of $630,000 in the same period in 2002. Interest income decreased due to lower short-term investment balances and lower interest rates during the second quarter of 2003 compared with the same period in 2002.

Interest expense. Interest expense was $424,000 during the second quarter of 2003 compared with interest expense of $310,000 in the same period in 2002. The increase in interest expense is due to higher average debt balances on borrowings for Outback Steakhouse's international operations during the second quarter of 2003 compared with the second quarter of 2002.

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Three months ended June 30, 2003 and 2002 (unaudited) (continued)

Elimination of minority partners' interest. The allocation of minority partners' income included in this line item represents the portion of income or loss from operations included in consolidated operating results attributable to the ownership interests of minority partners. As a percentage of revenues, these allocations were 0.1% and less than 1/10 of one percent during the quarters ended June 30, 2003 and 2002, respectively. The increase in the ratio is the result of an increase in overall restaurant operating margins and improvement in the performance of new format restaurants, which have a higher percentage of minority interest than our older formats.

Provision for income taxes. The provision for income taxes in the second quarter of both 2003 and 2002 reflected the expected income taxes due at federal statutory rates and state income tax rates, net of the federal benefit. The effective income tax rate was 34.7% during the second quarter of 2003 and 2002. Approximately 50% of our international restaurants in which we have a direct investment are owned through a Cayman Island corporation.

Net income and earnings per share. Net income for the second quarter of 2003 was $44,702,000 compared with $39,419,000 in the same period in 2002. Basic earnings per share increased to $0.59 during the second quarter of 2003 compared with $0.51 for the same period in 2002. Basic weighted shares outstanding decreased by approximately 1,875,000 shares from 77,274,000 shares at June 30, 2002 to 75,399,000 at June 30, 2003. Diluted earnings per share increased to $0.57 during the second quarter of 2003 compared with $0.49 for the same period in 2002. Diluted weighted shares outstanding decreased by approximately 1,969,000 shares from 80,406,000 shares at June 30, 2002 to 78,437,000 shares at June 30, 2003. The decrease in both basic and diluted weighted shares outstanding for the quarter ended June 30, 2003 compared with June 30, 2002 was primarily due to the purchase of treasury shares during the quarter ended June 30, 2003, partially offset by the issuance of shares for stock option exercises.

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Six months ended June 30, 2003 and 2002 (unaudited)

REVENUES

Restaurant sales. Total restaurant sales increased by 14% to $1,330,797,000 during the first half of 2003 compared with $1,165,977,000 in the same period in 2002. The increase in restaurant sales was primarily attributable to the opening of new restaurants after June 30, 2002. The following table depicts additional activities that influenced the period-to-period changes in restaurant sales at domestic Company owned restaurants for the six months ended June 30, 2003 and 2002:

	Six Months Ended June 30,	
	2003	2002
Average unit volumes (weekly) for restaurants opened for one year or more (in thousands):		
Outback Steakhouses	$ 67,940	$ 67,641
Carrabba's Italian Grills	$ 63,103	$ 62,834
Average unit volumes (weekly) for restaurants opened for less than one year (in thousands):		
Outback Steakhouses	$ 67,551	$ 58,121
Carrabba's Italian Grills	$ 59,452	$ 63,917
Restaurant operating weeks		
Outback Steakhouses	15,037	14,182
Carrabba's Italian Grills	2,527	1,973
Year to year percentage change:		
Menu price increases (1)		
Outback Steakhouses	2.00%	0.90%
Carrabba's Italian Grills	1.30%	0.80%
Same-store sales (stores open 18 months or more):		
Outback Steakhouses	1.70%	-0.70%
Carrabba's Italian Grills	0.80%	2.10%

(1) Reflects nominal amounts of menu price changes, prior to any change in product mix because of price increases, and may not reflect amounts effectively paid by the customer.

Other revenues. Other revenues, consisting primarily of initial franchise fees and royalties, increased by $930,000 to $10,142,000 during the first half of 2003 compared with $9,212,000 in the same period in 2002. The increase was attributable to higher royalties from additional stores operated as franchises during the first half of 2003 compared with the same period in 2002. The increase was partially offset by our decision to allow 14 of our international franchised restaurants in certain markets to spend the royalties due to us on additional advertising to increase brand awareness and penetration in new markets.

COSTS AND EXPENSES

*Cost of sales.*Cost of sales as a percentage of restaurant sales decreased by 0.9% to 36.2% in the first half of 2003 compared with 37.1% in the same period in 2002. The decrease was attributable to commodity cost decreases for beef, shrimp and certain dairy products, partially offset by higher lobster, fresh fish and produce costs, particularly onions and romaine lettuce. The decrease was also attributable to higher menu prices and an increase in the proportion of consolidated sales and cost of sales associated with our non-Outback Steakhouse restaurants, which operate at lower cost of goods sold levels than Outback Steakhouse.

Labor and other related expenses. Labor and other related expenses include all direct and indirect labor costs incurred in operations, except for distribution expense to employee partners and employee partner stock buyout expense, described below. Labor and other related expenses increased as a percentage of restaurant sales by 0.3% to 24.6% in the first half of 2003 compared with 24.3% in the same period in 2002. The increase resulted from higher state unemployment taxes and higher employee health insurance and benefits costs, partially offset by lower hourly employee

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bonus program costs and higher average unit volumes at both domestic and international Outback Steakhouses, and at Fleming's Prime Steakhouses and Roy's.

Other restaurant operating expenses. Other restaurant operating expenses increased by 1.0% of restaurant sales to 20.9% in the first half of 2003, compared with 19.9% in the same period in 2002. The increase was attributable to increased advertising expense, higher natural gas, preopening, and supply costs and higher credit card discounts. The increase was also attributable to an increase in the proportion of new format restaurants and international Outback Steakhouses in operation, which have higher average restaurant operating expenses as a percentage of restaurant sales than domestic Outback Steakhouses and Carrabba's Italian Grills. The increase was partially offset by higher average unit volumes at both domestic and international Outback Steakhouses, Fleming's Prime Steakhouses and Roy's.

Distribution expense to employee partners, excluding stock expense. Distribution expense to employee partners, excluding stock expense, includes distributions of restaurant cash flows to managing partners and area operating partners pursuant to their interest agreements and cash buyouts of managing partners' rights in the cash flows of their restaurants. These costs as a percentage of total revenues decreased 0.2% to 2.3% in the first half of 2003, compared with 2.5% in the same period in 2002. Decreases in distributions to area operating partners as a result of buyouts occurring after June 30, 2002 and fewer cash buyouts of managing partners occurring in the first half of 2003 compared to the same period in 2002, were partially offset by an increase in overall restaurant operating margins across the consolidated brands.

Employee partner stock buyout expense. Employee partner stock buyout expense includes non-cash expenses recorded for the accrual of future buyouts of our area operating partners' rights in the cash flows of their restaurants. Upon buyout, area operating partners generally receive common stock in exchange for their rights in the cash flows of a restaurant. Employee partner stock buyout expense as a percentage of total revenues remained at 0.2% of total revenues in the first six months of 2003, compared with the same period in 2002. Increases in expense due to new restaurants opened by area operating partners and increased overall restaurant operating margins across the consolidated brands were offset by buyouts of existing restaurants.

Depreciation. Depreciation costs as a percentage of total revenues remained at 3.0% in the first half of 2003 as compared to the same period in 2002. Additional depreciation related to new unit development and higher depreciation costs for the new restaurant formats, which have higher average construction costs than an Outback Steakhouse, were offset by higher average unit volumes at both domestic and international Outback Steakhouses, Fleming's Prime Steakhouses, and Roy's.

General and administrative. General and administrative costs increased by $4,142,000 to $47,478,000 during the first half of 2003 compared with $43,336,000 during the same period in 2002. This increase resulted from an increase in overall administrative costs associated with operating additional domestic and international Outback Steakhouses, Carrabba's Italian Grills, Fleming's Prime Steakhouses, Roy's and Bonefish Grills, as well as costs associated with the development of new restaurant formats.

Income from operations of unconsolidated affiliates. Income from operations of unconsolidated affiliates represents our portion of the income from restaurants operated as development joint ventures. Income from the development joint ventures was $2,939,000 during the first six months of 2003 compared with income of $3,050,000 during the same period in 2002. This decrease was attributable to lower average unit volumes at Carrabba's Italian Grills operated as development joint ventures, partially offset by improved performance at Brazilian development joint venture Outback Steakhouses.

Income from operations. As a result of the increase in revenues, the changes in the relationship between revenues and expenses discussed above and the opening of new restaurants, income from operations increased by $15,252,000 to $136,182,000 in the first half of 2003 compared with $120,930,000 in the same period in 2002.

Other income (expense), net. Other income (expense) includes the net of revenues and expenses from non-restaurant operations. Net other expense was $590,000 during the first six months of 2003 compared with net other expense of $887,000 in the same period in 2002. The decrease in net other expenses in 2003 is primarily the result of changes in the cash surrender value of certain life insurance policies from a loss of approximately $880,000 in the first half of 2002 to a gain of approximately $330,000 in the same period in 2003, which was partially offset by a gain of approximately $500,000 from the sale of a non-operating asset during the first quarter of 2002, which did not recur in 2003.

Interest income. Interest income was $973,000 during the first half of 2003 compared with interest income of $1,165,000 in the same period in 2002. Interest income decreased due to lower short-term investment balances offset by lower interest rates during the first half of 2003 compared with the same period in 2002.

Interest expense. Interest expense was $777,000 during the first half of 2003 compared with interest expense of $609,000 in the same period in 2002. The increase in interest expense is due to higher average debt balances on borrowings for Outback Steakhouse's international operations during the first half of 2003 compared with the first half of 2002.

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Elimination of minority partners' interest. The allocation of minority partners' income included in this line item represents the portion of income or loss from operations included in consolidated operating results attributable to the ownership interests of minority partners. As a percentage of revenues, these allocations were 0.2% and less than 1/10 of one percent during the six months ended June 30, 2003 and 2002, respectively. The increase in the ratio is the result of an increase in overall restaurant operating margins and improvement in the performance of new format restaurants, which have a higher percentage of minority interest than our older formats.

Provision for income taxes. The provision for income taxes in the first half of both 2003 and 2002 reflected the expected income taxes due at federal statutory rates and state income tax rates, net of the federal benefit. The effective income tax rate was 34.7% during the first six months of 2003 and 34.8% during the first six months of 2002. Approximately 50% of the Company's international restaurants in which we have a direct investment are owned through a Cayman Island corporation.

Cumulative effect of a change in accounting principle. The cumulative effect of a change in accounting principle represents the effect of the adoption of the transitional impairment provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." The adoption was made effective as of the beginning of 2002. The cumulative effect of the change in accounting principle in the first half of 2002 was approximately $740,000, net of taxes of approximately $446,000. Basic and diluted earnings per share were both reduced by $0.01 due to the impact of the change in accounting principle.

*Net income and earnings per share.*Net income for the first half of 2003 was $87,277,000 compared with $78,030,000 in the same period in 2002. Basic earnings per share increased to $1.15 during the first half of 2003 compared with $1.01 for the same period in 2002. Basic weighted shares outstanding decreased by approximately 1,600,000 shares from 77,176,000 shares at June 30, 2002 to 75,576,000 at June 30, 2003. Diluted earnings per share increased to $1.11 during the first half of 2003 compared with $0.97 for the same period in 2002. Diluted weighted shares outstanding decreased by approximately 1,899,000 shares from 80,223,000 shares at June 30, 2002 to 78,324,000 shares at June 30, 2003. The decrease in both basic and diluted weighted shares outstanding for the six months ended June 30, 2003 compared with June 30, 2002 was primarily due to the purchase of treasury shares during the six months ended June 30, 2003, partially offset by the issuance of shares for stock option exercises.

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OUTBACK STEAKHOUSE, INC.
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Liquidity and Capital Resources (unaudited)

The following table presents a summary of our cash flows from operating, investing and financing activities for the periods indicated (in thousands):

	Year Ended December 31, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Net cash provided by operating activities	$ 294,000	$ 56,506	$ 127,454
Net cash used in investing activities	(168,066)	(65,853)	(89,380)
Net cash used in financing activities	(54,284)	(49,055)	(3,157)
Net increase (decrease) in cash and cash equivalents	$ 71,650	$ (58,402)	$ 34,917

We require capital principally for the development of new restaurants, remodeling of older restaurants and investment in technology. We also require capital to pay dividends to common stockholders (refer to additional discussion in the Dividend section of Management’s Discussion and Analysis of Financial Condition and Results of Operation). Capital expenditures totaled approximately $181,798,000 for year ended December 31, 2002 and approximately $78,954,000 and $88,420,000 during the first six months of 2003 and 2002, respectively. We either lease our restaurants under operating leases for periods ranging from five to thirty years (including renewal periods) or build free standing restaurants where it is cost effective.

If demand for our products and services were to decrease as a result of increased competition, changing consumer tastes, changes in local, regional and national economic conditions or changes in the level of consumer acceptance of our restaurant brands, our total revenues could decline significantly. The following table sets forth approximate amounts by which cash provided by operating activities may decline in the event of a decrease in revenues of 5%, 10% and 15% compared with total revenues for the period ended December 31, 2002 (in thousands):

	5%	10%	15%
Decrease in total revenues	$ (118,105)	$ (236,211)	$ (354,316)
Decrease in net income	$ (23,104)	$ (46,208)	$ (69,312)
Decrease in cash provided by operating activities	$ (28,787)	$ (57,573)	$ (86,360)

The estimates above are based on the assumption that income before minority partners' interest and provision for income taxes decreases approximately $0.35 for every $1.00 decrease in total revenues. These numbers are estimates only and do not consider other measures we could implement were such decreases in revenue to occur.

During 2001, we entered into an agreement with the founders of Bonefish Grill ("Bonefish") to develop and operate Bonefish restaurants. Under the terms of the Bonefish agreement, we purchased the Bonefish restaurant operating system for approximately $1,500,000. In addition, the interest in the three existing Bonefish Grills was contributed to a partnership formed between the Bonefish founders and us, and, in exchange, we committed to the first $7,500,000 of future construction costs in the development of new restaurants, all of which has been expended as of June 30, 2003.

We have formed joint ventures to develop Outback Steakhouses in Brazil and the Philippines. We are also developing Company owned restaurants internationally in Puerto Rico, Korea, Hong Kong and Japan.

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Liquidity and Capital Resources (unaudited) (continued)

In connection with the realignment of our international operations during the quarter ended June 30, 2003, we merged the interests of our franchisee operating restaurants in Japan into a new Japanese corporation which is now majority owned by us and which has responsibility for the future development of Outback Steakhouse restaurants in Japan. As part of the realignment, we became directly liable for the debt which we previously guaranteed, which totaled approximately $19,741,000, referred to above and in Note 7 of Notes to Unaudited Consolidated Financial Statements. As part of this transaction, we invested approximately $2,488,000 in equity in addition to the assumption of the bank debt.

LONG-TERM DEBT

The Company has an uncollateralized revolving line of credit which permits borrowing of up to a maximum of 125,000,000 at 57.5 basis points over the 30, 60, 90 or 180 day London Interbank Offered Rate (LIBOR) (all approximately 1.12% at June 30, 2003). At June 30, 2003, the unused portion of the revolving line of credit was $115,000,000. The credit agreement requires payment of a credit facility fee of 17.5 basis points on the total facility and matures in December 2004.

The Company has a $15,000,000 uncollateralized line of credit bearing interest at rates ranging from 57.5 to 95.0 basis points over LIBOR. Approximately $7,102,000 of the line of credit was committed for the issuance of letters of credit at June 30, 2003, as required by insurance companies that underwrite the Company's workers compensation insurance. The remaining $7,898,000 at June 30, 2003 is available to the Company.

We expect that our capital requirements through the end of 2003 will be met by cash flows from operations and, to the extent needed, advances on our line of credit. The revolving line of credit contains certain restrictions and conditions that require us to maintain net worth of $585,685,000 as of June 30, 2003, a fixed charge coverage ratio of 3.5 to 1.0, and a maximum total debt to EBITDA ratio of 2.0 to 1.0. At June 30, 2003, we were in compliance with all of the above debt covenants. (See Note 7 of Notes to Unaudited Consolidated Financial Statements.)

We have notes payable with banks bearing interest at rates ranging from 6.00% to 6.30% for our Korean operations. As of June 30, 2003, the outstanding balance was approximately $19,516,000. The notes are denominated and payable in Korean won and mature at dates ranging from July 2003 to March 2004.

The Company's primary source of credit is an uncollateralized revolving line of credit that permits borrowing up to $125,000,000. Based upon provisions of the line of credit agreement as of December 31, 2002, the margin over LIBOR rates charged to the Company on future amounts drawn under the line would not be affected unless: (i) outstanding debt balances increased by more than $100,000,000; or (ii) earnings before interest, taxes, depreciation and amortization decreased more than 50%. In addition, based upon provisions of the line of credit agreement as of December 31, 2002, availability of funds under the uncollateralized revolving line of credit would not be affected unless: (i) outstanding debt balances increased by more than $200,000,000; (ii) earnings before interest, taxes, depreciation and amortization decreased more than 50%; or

(iii) the Company's net worth decreased approximately 45%.

DEBT GUARANTEES

Prior to the quarter ended June 30, 2003, we were the guarantor of two uncollateralized lines of credit that permit borrowing of up to $20,000,000 for our franchisee operating Outback Steakhouses in Japan. As of June 30, 2003, we are directly liable for amounts outstanding under these lines of credit (see Note 7 of Notes to Unaudited Consolidated Financial Statements).

We are the guarantor of an uncollateralized line of credit that permits borrowing of up to $35,000,000 for our franchisee operating Outback Steakhouses in California. At June 30, 2003, the balance on the line of credit was approximately $28,381,000.

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Liquidity and Capital Resources (unaudited) (continued)

We are the guarantor of an uncollateralized line of credit that permits borrowing of up to a maximum of $24,500,000 for our joint venture partner in the development of Roy's restaurants. At June 30, 2003, the outstanding balance was approximately $20,673,000.

We are the guarantor of bank loans made to certain franchisees operating Outback Steakhouses. At June 30, 2003, the outstanding balance on the loans was approximately $120,000. Subsequent to June 30, 2003, we acquired the restaurants of these franchisees. As a result, we became directly liable for borrowings outstanding upon closing of the transaction.

We are the guarantor of up to approximately $9,445,000 of a $68,000,000 note for an unconsolidated affiliate in which we have a 22.22% equity interest and for which we operate catering and concession facilities. At June 30, 2003, the outstanding balance on the note was approximately $68,000,000. Our investment is included in the line item entitled "Investments In and Advances to Unconsolidated Affiliates, Net". This affiliate has not yet reached its operating break-even point. Accordingly, we have made two additional working capital contributions, $667,000 in December 2001 and $444,000 in July 2002, in addition to our original investment. We anticipate that we may need to make additional contributions for our pro rata portion of future losses, if any.

We are not aware of any non-compliance with the underlying terms of the borrowing agreements for which we provide a guarantee that would result in us having to perform in accordance with the terms of the guarantee.

DEBT AND DEBT GUARANTEE SUMMARY

Our contractual debt obligations, debt guarantees and commitments, excluding lease commitments, as of June 30, 2003 are summarized in the table below (in thousands):

	Total	Current Portion	Long-term Portion
Debt	$ 53,890	$ 39,633	$ 14,257
Debt guarantees	$ 69,065	$ 321	$ 68,744
Amount outstanding under debt guarantees	$ 58,619	$ 321	$ 58,298

SHARE REPURCHASE

On July 26, 2000, our Board of Directors authorized the repurchase of up to 4,000,000 shares of our Common Stock, with the timing, price, quantity and manner of the purchases to be made at the discretion of management, depending upon market conditions. In addition, the Board of Directors also authorized the repurchase of shares on a regular basis to offset shares issued as a result of stock option exercises. During the period from the authorization date through June 30, 2003, approximately 3,941,000 shares of our Common Stock have been issued as the result of stock option exercises. We will fund the repurchase program with available cash and bank credit facilities. As of June 30, 2003, under these authorizations we have repurchased approximately 7,570,000 shares of our Common Stock for approximately $219,972,000.

On July 23, 2003, our Board of Directors extended the repurchase authorization for an additional 2,500,000 shares of the Company's common stock. The Board of Directors has also extended the authorization to repurchase shares on a regular basis to offset shares issued as a result of stock option exercises.

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Liquidity and Capital Resources (unaudited) (continued)

DIVIDEND

Our Board of Directors authorized the following dividends during 2003:

Declaration Date	Payable Date	Record Date	Amount per Share of Common Stock
January 22, 2003	March 7, 2003	February 21, 2003	$ 0.12
April 23, 2003	June 6, 2003	May 23, 2003	$ 0.12
July 23, 2003	September 5, 2003	August 22, 2003	$ 0.12

At the current dividend rate, the annual dividend payment is expected to be between $35,000,000 and $40,000,000 depending on the shares outstanding during the respective quarters. We intend to pay dividends with cash flow from operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our Unaudited Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities during the reporting period (see Note 1 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K). We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our significant accounting policies are described in Note 1 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K. We consider the following policies to be the most critical in understanding the judgments that are involved in preparing our financial statements.

Property, Fixtures and Equipment

Property, fixtures and equipment are recorded at cost. We expense repair and maintenance costs incurred to maintain the appearance and functionality of the restaurant that do not extend the useful life of any restaurant asset or are less than $1,000. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Buildings and building improvements	20 to 31.5 years
Furniture and fixtures	7 years
Equipment	2 to 15 years
Leasehold improvements	5 to 20 years

Our accounting policies regarding property, fixtures and equipment include certain management judgments and projections regarding the estimated useful lives of these assets and what constitutes increasing the value and useful life of existing assets. These estimates, judgments and projections may produce materially different amounts of depreciation expense than would be reported if different assumptions were used.

Impairment of Long-Lived Assets

We assess the potential impairment of identifiable intangibles, long-lived assets and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability of assets is measured by comparing

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES (continued)

the carrying value of the asset to the future cash flows expected to be generated by the asset. In evaluating long-lived restaurant assets for impairment, we consider a number of factors such as:

a) Restaurant sales trends;
b) Local competition;
c) Changing demographic profiles;
d) Local economic conditions;
e) New laws and government regulations that adversely affect sales and profits; and
f) The ability to recruit and train skilled restaurant employees.

If the aforementioned factors indicate that we should review the carrying value of the restaurant’s long-lived assets, we perform an impairment analysis. Identifiable cash flows that are largely independent of other assets and liabilities typically exist for land and buildings, and for combined fixtures, equipment and improvements for each restaurant. If the total future cash flows are less than the carrying amount of the asset, the carrying amount is written down to the estimated fair value, and a loss resulting from value impairment is recognized by a charge to earnings.

Judgments and estimates made by us related to the expected useful lives of long-lived assets are affected by factors such as changes in economic conditions and changes in operating performance. As we assess the ongoing expected cash flows and carrying amounts of our long-lived assets, these factors could cause us to realize a material impairment charge.

Insurance Reserves

We self-insure a significant portion of expected losses under our workers compensation, general liability, health and property insurance programs. We purchase insurance for individual claims that exceed the amounts listed in the following table:

Workers Compensation	$ 1,000,000
General Liability	$ 1,000,000
Health	$ 230,000
Property damage	$ 5,000,000

We record a liability for all unresolved claims and for an estimate of incurred but not reported claims at the anticipated cost to us based on estimates provided by a third party administrator and insurance company. Our accounting policies regarding insurance reserves include certain actuarial assumptions and management judgments regarding economic conditions, the frequency and severity of claims and claim development history and settlement practices. Unanticipated changes in these factors may produce materially different amounts of expense that would be reported under these programs.

Revenue Recognition

We record revenues for normal recurring sales upon the performance of services. Revenues from the sales of franchises are recognized as income when we have substantially performed all of our material obligations under the franchise agreement. Continuing royalties, which are a percentage of net sales of franchised restaurants, are accrued as income when earned. These revenues are included in the line “Other revenues” in the Unaudited Consolidated Statements of Income.

Unearned revenues primarily represent our liability for gift certificates that have been sold but not yet redeemed and are recorded at the anticipated redemption value. When the gift certificates are redeemed, we recognize restaurant sales and reduce the related deferred liability.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES (continued)

Employee Partner Stock Buyout Expense

Area operating partners are required to purchase a 4-9% interest in the restaurants they develop for an initial investment of $50,000. This interest gives the area operating partner the right to receive a percentage of his or her restaurants’ annual cash flows for the duration of the agreement. Under the terms of these partners’ employment agreements, the Company has the option to purchase their interest after a five-year period under the conditions of the agreement. The Company estimates future purchases of area operating partners’ interests using current information on restaurant performance to calculate and record an accrued buyout liability in the line item “Partner deposit and accrued buyout liability” in the Consolidated Balance Sheets. When partner buyouts occur, they are completed primarily through issuance of the Company’s Common Stock to the partner equivalent to the fair value of their interest. In the period the Company completes the buyout, an adjustment is recorded to recognize any remaining expense associated with the purchase and reduce the related accrued buyout liability.

Principles of Consolidation

The Consolidated Financial Statements include the accounts and operations of the Company and affiliated partnerships in which the Company is a general partner and owns a controlling financial interest. The Consolidated Financial Statements also include the accounts and operations of consolidated ventures in which the Company has a less than majority ownership. The Company consolidates these ventures because the Company controls the board of directors or has control through representation on the board by related parties and is able to direct or cause the direction of management and operations on a day-to-day basis. Additionally, the majority of capital contributions made by partners in the consolidated ventures have been funded by loans to the partners either directly from the Company, or from a third party where the Company is required to be a guarantor of the debt, which provides the Company control through its collateral interest in the joint venture partners’ membership interests. The portion of income or loss attributable to the minority interests, not to exceed the minority interest’s equity in the consolidated entity, is eliminated in the line item in the Consolidated Statements of Income entitled “Elimination of minority partners’ interest.” All material intercompany balances and transactions have been eliminated.

OUTLOOK

The following discussion of our future operating results and expansion strategy and other statements in this report that are not historical statements constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements represent our expectations or beliefs concerning future events and may be identified by words such as “believes,” “anticipates,” “expects,” “plans,” “should,” “estimates” and similar expressions. Our forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those stated or implied in the forward-looking statement. Actual results could differ materially from those stated or implied in forward-looking statements as a result of a number of factors, including those in the section entitled “Cautionary Statement” below. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

In the Outlook portion of Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 2002, we provided information on the outlook for our businesses in 2003 and factors that may affect our financial results for that year.

The remaining paragraphs in this Outlook section update the information provided in the Form referenced above and we recommend that this section be read in conjunction with that Outlook section.

Future Operating Results

As of the date of this report substantial uncertainty exists as to the strength of consumer spending as a result of the economic downturn. Our revenue growth expectations summarized in the following paragraph assume that current spending trends do not worsen in the remaining quarters of 2003. Our revenues and financial results in the remainder of 2003 could vary significantly depending upon consumer and business spending trends.

During the three month period ended June 30, 2003, compared with the same period a year ago, average unit volumes for Outback increased by approximately 2.2% and were flat for Carrabba’s Italian Grills (“Carrabba’s”). Average unit volumes for Carrabba’s Italian Grills were below those anticipated in our comments in Form 10-K referenced above. As a result of the decline in average unit volumes for Carrabba’s Italian Grills, we are now anticipating gains of only zero to one percent for the remainder of 2003 for Carrabba’s Italian Grills. To the extent negative sales trends continue, our revenues and operating results for the full year may fall short of our original objectives.

During the quarter ended June 30, 2003, we benefited from lower than expected commodity costs for beef and shrimp. As a result of lower commodity costs and the effect of a 1% price increase at Outback Steakhouses, we now expect cost of goods sold as a percentage of restaurant sales for the full year to be 30 to 40 basis points lower than originally expected, for a total of approximately 70 to 80 basis points decrease for the full year from 2002 amounts.

Because of higher health insurance and benefits costs, higher state unemployment taxes and higher wage rates for kitchen employees, we now expect labor costs as a percentage of restaurant sales for the full year to be 10 to 20 basis points higher than originally planned, for a total of 20 to 40 basis points increase for the full year from 2002 amounts.

Because of higher than anticipated advertising, natural gas, supply costs associated with our take-out business, and higher credit card discounts, we are now planning for restaurant operating expenses as a percentage of sales for the remainder of the

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OUTBACK STEAKHOUSE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OUTLOOK (continued)

year to be approximately 40 basis points higher than originally expected, for a total of 70 to 80 basis points increase for the full year from 2002 amounts.

We are now planning for the remainder of 2003 for all other expense ratio variances to be comparable to those experienced in and reported for the first half of 2003.

Expansion Strategy

Our goal is to add new restaurants to the system during the remainder of 2003. The following table presents a summary of the expected restaurant openings during the full year 2003:

	2003		
Outback Steakhouses – Domestic			
Company owned	26	to	28
Franchised	1	to	2
Outback Steakhouses – International			
Company owned	8	to	10
Franchised	4	to	6
Carrabba’s Italian Grills			

	Company owned	20	to	26
Fleming's Prime Steakhouse and Wine Bars				
	Company owned	6	to	8
Roy's				
	Company owned		2	
Lee Roy Selmon's				
	Company owned		1	
Bonefish Grills				
	Company owned	18	to	21
	Franchised	1	to	2
Cheeseburger in Paradise				
	Company owned	1	to	2

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OUTBACK STEAKHOUSE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement

As noted above, our actual results could differ materially from those stated or implied in the forward-looking statements included in the discussion of future operating results and expansion strategy and elsewhere in this report as a result, among other things, of the following:

(i) The restaurant industry is a highly competitive industry with many well-established competitors;

(ii) Our results can be impacted by changes in consumer tastes and the level of consumer acceptance of our restaurant concepts; local, regional and national economic conditions, which could be adversely affected by further weakening in consumer spending; the seasonality of our business; demographic trends; traffic patterns; consumer perception of food safety; employee availability; the cost of advertising and media; government actions and policies; inflation; and increases in various costs;

(iii) Our ability to expand is dependent upon various factors such as the availability of attractive sites for new restaurants; ability to obtain appropriate real estate sites at acceptable prices; ability to obtain all required governmental permits including zoning approvals and liquor licenses on a timely basis; impact of government moratoriums or approval processes, which could result in significant delays; ability to obtain all necessary contractors and subcontractors; union activities such as picketing and hand billing that could delay construction; the ability to generate or borrow funds; the ability to negotiate suitable lease terms; and the ability to recruit and train skilled management and restaurant employees;

(iv) Price and availability of commodities, including but not limited to such items as beef, chicken, shrimp, pork, seafood, dairy, potatoes, onions and energy costs are subject to fluctuation and could increase or decrease more than we expect; and/or

(v) Weather and acts of God could result in construction delays and also adversely affect the results of one or more stores for an indeterminate amount of time.

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OUTBACK STEAKHOUSE, INC.
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates on debt, changes in foreign currency exchange rates and changes in commodity prices.

The Company's exposure to interest rate fluctuations is limited to its outstanding bank debt. Outstanding borrowings under the Company's revolving lines of credit of $10,000,000 at June 30, 2003 and December 31, 2002 bear interest at 57.5 basis points over the 30, 60, 90 or 180 London Interbank Offered Rate. The weighted average effective interest rate on the $10,000,000 outstanding balance was 2.39% at December 31, 2002. Notes payable of approximately $19,516,000 to Korean banks bear interest at rates ranging from 6.00% to 6.30% at June 30, 2003. As of December 31, 2002, we were the guarantor of two uncollateralized lines of credit that permit borrowing of up to $20,000,000 for our franchisee operating Outback Steakhouses in Japan. During the quarter ended June 30, 2003, we became directly liable for the outstanding amounts under these lines of credit (see Note 10 of Notes to Unaudited Consolidated Financial Statements), which totaled approximately $19,741,000. At June 30, 2003, the borrowings totaled approximately $18,796,000, bearing interest at rates ranging from 0.56% to 1.88%.

The Company's debt balance has not exceeded $55,000,000 for each of the years ending December 31, 2002, 2001 and 2000 and the six months ended June 30, 2003. Should interest rates based on the Company's borrowings as of June 30, 2003 increase by one percentage point, the Company's estimated annual interest expense would increase by approximately $500,000 over amounts reported for the year ended December 31, 2002.

The Company's exposure to foreign currency exchange fluctuations relates primarily to its direct investment in restaurants in Korea, Hong Kong, Japan, the Philippines and Brazil, its notes payable to Japanese and Korean banks of approximately $18,796,000 and $19,516,000, respectively, at June 30, 2003 and to its royalties from international franchisees in 21 countries. The Company does not use financial instruments to hedge foreign currency exchange rate changes. The Company's investments in these countries totaled approximately $21,189,000 and $17,500,000 as of June 30, 2003 and December 31, 2002, respectively.

Many of the ingredients used in the products sold in our restaurants are commodities that are subject to unpredictable price volatility. Although we attempt to minimize the effect of price volatility by negotiating fixed price contracts for the supply of key ingredients, there are no established fixed price markets for certain commodities such as produce and wild fish and we are subject to prevailing market conditions when purchasing those types of commodities. Other commodities are purchased based upon negotiated price ranges established with vendors with reference to the fluctuating market prices. The related agreements may contain contractual features that limit the price paid by establishing certain price floors and caps. We do not use financial instruments to hedge commodity prices because these purchase arrangements help control the ultimate cost paid. Extreme changes in commodity prices and/or long-term changes could affect our financial results adversely, although any changes in commodity prices would affect our competitors at about the same time as us. We expect that in most cases increased commodity prices could be passed through to our consumers via increases in menu prices. However, if there is a time lag between the increasing commodity prices and our ability to increase menu prices or, if we believe the commodity price increase to be short in duration and we choose not to pass on the cost increases, our short-term financial results could be negatively affected. Additionally, from time to time, competitive circumstances could limit menu price flexibility, and in those cases margins would be negatively impacted by increased commodity prices.

In addition to the market risks identified above and to the risks discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations," we are subject to business risk as our beef supply is highly dependent upon four vendors. We currently purchase approximately 75% of our beef from the two largest beef suppliers in the country. If these vendors were unable to fulfill their obligations under their contracts, we would encounter supply shortages and incur higher costs to secure adequate supplies.

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

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OUTBACK STEAKHOUSE, INC.
CONTROLS AND PROCEDURES

Item 4. CONTROLS AND PROCEDURES

We have established and maintain disclosure controls and procedures that are designed to ensure that material information relating to the Company and our subsidiaries required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the date of such evaluation.

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OUTBACK STEAKHOUSE, INC.
PART II: OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to legal proceedings, claims and liabilities, such as liquor liability, sexual harassment and slip and fall cases etc., which arise in the ordinary course of business and are generally covered by insurance. In the opinion of management, the amount of the ultimate liability with respect to those actions will not have a materially adverse impact on our financial position or result of operations and cash flows.

In a civil case against us in Indiana state court alleging liability under the "dram shop" liquor liability statute, a jury returned a verdict in favor of the two plaintiffs who were injured by a drunk driver. The portion of the verdict against us was $39,000,000. We are fully insured for the $39 million awarded to the two plaintiffs. We intend to appeal the decision and believe we have valid grounds for appeal.

Item 2. Changes in Securities and Use of Proceeds

Following is information relating to the shares of common stock issued by us in transactions not registered under the Securities Act of 1933:

During the quarter ended June 30, 2003, we issued approximately 232,000 shares of Common Stock at market values ranging from $32.00 to $37.39 per share to nine area operating partners for their interests in 23 Outback Steakhouses and 17 Carrabba's Italian Grills. The aggregate value of shares issued was approximately $7,800,000. These shares of our Common Stock are exempted from registration under Rule 506.

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Stockholders on April 23, 2003. The only matter submitted for vote was the election of four directors, each to serve for a three-year term and until his or her successor is duly elected and qualified. The results of the election are as follows:

1. To elect four directors each to serve for a three-year term and until his or her successor is duly elected and qualified. The results of proxies voted for the election of the directors are as follows:

Name of Nominee/Director	Votes For	% of Eligible	Votes Withheld	% of Eligible
Debbi Fields	58,956,600	77.90%	643,958	0.85%
Thomas A. James	58,974,812	77.92%	625,746	0.83%
Robert S. Merritt	57,415,123	75.86%	2,185,435	2.89%
Chris T. Sullivan	57,128,313	75.48%	2,472,245	3.27%

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OUTBACK STEAKHOUSE, INC.
PART II: OTHER INFORMATION (continued)

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

4.30b	First Amendment to Joint Venture Agreement dated October 31, 2000, effective for all purposes as of June 17, 1999, between RY-8, Inc., a Hawaii corporation, being a wholly owned subsidiary of Roy's Holdings, Inc., and OS Pacific, Inc., a Florida corporation, being a wholly owned subsidiary of Outback Steakhouse, Inc. (included as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference)
4.57	Acquisition Agreement among Outback Steakhouse, Inc., Outback Steakhouse of Florida, Inc., JSS, Inc. and Jeffery S. Smith (included as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference)
4.58	Acquisition Agreement among Outback Steakhouse, Inc., Outback Steakhouse of Florida, Inc., Yoxco, Inc. and Steven E. Yoxsimer (included as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference)
4.59	Acquisition Agreement among Outback Steakhouse, Inc., Outback Steakhouse of Florida, Inc., Tomco of the Carolinas, Inc. and Thomas M. Allen (included as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference)
4.60	Acquisition Agreement among Outback Steakhouse, Inc., Outback Steakhouse of Florida, Inc., Stephen S. Newton & Associates, Inc. and Stephen S. Newton (included as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference)
4.61	Acquisition Agreement among Outback Steakhouse, Inc., Outback Steakhouse of Florida, Inc., Texas Aussie, Inc. and Steven R. Miller (included as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference)
4.62	Acquisition Agreement among Outback Steakhouse, Inc., Outback Steakhouse of Florida, Inc., M. Aaron, Inc. and Marcus C. Aaron (included as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference)
4.63	Acquisition Agreement among Outback Steakhouse, Inc., Outback Steakhouse of Florida, Inc., Szalinski & Associates, Inc. and Stephen P. Szalinski (included as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference)
4.64	Acquisition Agreement among Outback Steakhouse, Inc., Carrabba's Italian Grill, Inc., Te Piace of Tampa Bay, Inc. and Martin E. Reichenthal (included as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference)
4.65	Stockholders Agreement among Outback Steakhouse International L.P., Newport Pacific Restaurants, Inc., Michael Coble, Gregory Louis Walther, Donnie Everts, William Daniel, Beth Boswell, Don Gale, Stacy Gardella, Jayme Goodsell, Kevin Lee Crippen and Outback Steakhouse Japan Co., Ltd. (included as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference)
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act
32.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[1]
32.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[1]

1 These certifications are not deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. These certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act,

except to the extent that the registrant specifically incorporates them by reference.

(b) Reports on Form 8-K

Form 8-K filed on April 23, 2003 containing a press release and financial information about our first quarter results.

Form 8-K filed on May 1, 2003 announcing a 10b5-1 plan entered into by Paul Avery.

Form 8-K filed on June 27, 2003 containing a press release about the jury verdict in a liquor liability case against us.

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SIGNATURE

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

OUTBACK STEAKHOUSE, INC.

Date: December 10, 2003

By: /s/ Robert S. Merritt
Robert S. Merritt
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)