UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q

**(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, 2012
Or
[ ] **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from ______ to ______

Commission File Number: 001-35625

# BLOOMIN' BRANDS, INC.

(Exact name of registrant as specified in its charter)

| **DELAWARE** | **20-8023465** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**2202 North West Shore Boulevard, Suite 500, Tampa, Florida 33607**
(Address of principal executive offices) (Zip Code)

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

**N/A**
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

As of August 31, 2012, 119,898,667 shares of common stock of the registrant were outstanding.

**BLOOMIN' BRANDS, INC.**

INDEX TO QUARTERLY REPORT ON FORM 10-Q
For the Quarterly Period Ended June 30, 2012
(Unaudited)

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**BLOOMIN' BRANDS, INC.**

## PART I: FINANCIAL INFORMATION

### Item 1. Financial Statements

**CONSOLIDATED BALANCE SHEETS**
**(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA, UNAUDITED)**

| | JUNE 30, 2012 | DECEMBER 31, 2011 |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | $ 279,954 | $ 482,084 |
| Current portion of restricted cash | 24,916 | 20,640 |
| Inventories | 74,131 | 69,223 |
| Deferred income tax assets | 28,040 | 31,959 |
| Other current assets, net | 85,801 | 104,373 |
| Total current assets | 492,842 | 708,279 |
| Restricted cash | 18,788 | 3,641 |
| Property, fixtures and equipment, net | 1,482,437 | 1,635,898 |
| Investments in and advances to unconsolidated affiliates, net | 35,256 | 35,033 |
| Goodwill | 268,902 | 268,772 |
| Intangible assets, net | 558,493 | 566,148 |
| Other assets, net | 144,104 | 136,165 |
| Total assets | $ 3,000,822 | $ 3,353,936 |

(CONTINUED...)

**BLOOMIN' BRANDS, INC.**

## CONSOLIDATED BALANCE SHEETS
**(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA, UNAUDITED)**

| | JUNE 30, 2012 | DECEMBER 31, 2011 |
|---|---|---|
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable | $ 102,351 | $ 97,393 |
| Accrued and other current liabilities | 176,255 | 211,486 |
| Current portion of partner deposits and accrued partner obligations | 16,828 | 15,044 |
| Unearned revenue | 193,512 | 299,596 |
| Current portion of long-term debt | 26,580 | 332,905 |
| Current portion of guaranteed debt | 24,500 | — |
| Total current liabilities | 540,026 | 956,424 |
| Partner deposits and accrued partner obligations | 91,913 | 98,681 |
| Deferred rent | 77,350 | 70,135 |
| Deferred income tax liabilities | 189,011 | 193,262 |
| Long-term debt | 1,737,210 | 1,751,885 |
| Guaranteed debt | — | 24,500 |
| Other long-term liabilities, net | 259,871 | 218,752 |
| Total liabilities | 2,895,381 | 3,313,639 |
| Commitments and contingencies | | |
| Stockholders' Equity | | |
| Bloomin' Brands, Inc. Stockholders' Equity | | |
| Common stock, $0.01 par value, 120,000,000 shares authorized; 106,777,584 shares issued and outstanding at June 30, 2012; and 120,000,000 shares authorized; 106,573,193 shares issued and outstanding at December 31, 2011 | 1,068 | 1,066 |
| Additional paid-in capital | 877,474 | 874,753 |
| Accumulated deficit | (755,617) | (822,625) |
| Accumulated other comprehensive loss | (25,857) | (22,344) |
| Total Bloomin' Brands, Inc. stockholders' equity | 97,068 | 30,850 |
| Noncontrolling interests | 8,373 | 9,447 |
| Total stockholders' equity | 105,441 | 40,297 |
| Total liabilities and stockholders' equity | $ 3,000,822 | $ 3,353,936 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**BLOOMIN' BRANDS, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**
**(IN THOUSANDS, EXCEPT PER SHARE DATA, UNAUDITED)**

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues | | | | |
| Restaurant sales | $ 970,021 | $ 946,033 | $ 2,015,487 | $ 1,939,142 |
| Other revenues | 10,845 | 9,469 | 21,005 | 18,209 |
| Total revenues | 980,866 | 955,502 | 2,036,492 | 1,957,351 |
| Costs and expenses | | | | |
| Cost of sales | 315,472 | 305,003 | 651,331 | 622,767 |
| Labor and other related | 271,400 | 275,314 | 564,901 | 558,121 |
| Other restaurant operating | 230,877 | 224,692 | 449,842 | 438,849 |
| Depreciation and amortization | 39,247 | 38,463 | 78,107 | 76,751 |
| General and administrative | 72,216 | 69,548 | 148,218 | 131,126 |
| Provision for impaired assets and restaurant closings | 4,654 | 3,723 | 9,089 | 3,931 |
| Income from operations of unconsolidated affiliates | (1,720) | (1,995) | (4,124) | (5,641) |
| Total costs and expenses | 932,146 | 914,748 | 1,897,364 | 1,825,904 |
| Income from operations | 48,720 | 40,754 | 139,128 | 131,447 |
| Loss on extinguishment of debt | — | — | (2,851) | — |
| Other (expense) income, net | (183) | 559 | (129) | 256 |
| Interest expense, net | (24,037) | (20,692) | (45,011) | (41,885) |
| Income before provision for income taxes | 24,500 | 20,621 | 91,137 | 89,818 |
| Provision for income taxes | 3,936 | 4,178 | 16,741 | 15,260 |
| Net income | 20,564 | 16,443 | 74,396 | 74,558 |
| Less: net income attributable to noncontrolling interests | 3,124 | 2,440 | 6,957 | 5,663 |
| Net income attributable to Bloomin' Brands, Inc. | $ 17,440 | $ 14,003 | $ 67,439 | $ 68,895 |
| | | | | |
| Net income | $ 20,564 | $ 16,443 | $ 74,396 | $ 74,558 |
| Other comprehensive income: | | | | |
| Foreign currency translation adjustment | (6,662) | 4,124 | (3,513) | 7,144 |
| Comprehensive income | 13,902 | 20,567 | 70,883 | 81,702 |
| Less: comprehensive income attributable to noncontrolling interests | 3,124 | 2,440 | 6,957 | 5,663 |
| Comprehensive income attributable to Bloomin' Brands, Inc. | $ 10,778 | $ 18,127 | $ 63,926 | $ 76,039 |
| | | | | |
| Net income attributable to Bloomin' Brands, Inc. per common share: | | | | |
| Basic | $ 0.16 | $ 0.13 | $ 0.63 | $ 0.65 |
| Diluted | $ 0.16 | $ 0.13 | $ 0.63 | $ 0.65 |
| Weighted average common shares outstanding: | | | | |
| Basic | 106,361 | 106,135 | 106,361 | 106,135 |
| Diluted | 107,380 | 106,214 | 107,255 | 106,362 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

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# BLOOMIN' BRANDS, INC.
## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
### (IN THOUSANDS, UNAUDITED)

| | BLOOMIN' BRANDS, INC. | | | | | | |
|---|---|---|---|---|---|---|---|
| | COMMON STOCK | COMMON STOCK AMOUNT | ADDITIONAL PAID-IN CAPITAL | ACCUM-ULATED DEFICIT | ACCUMULATED OTHER COMPREHENSIVE LOSS | NON-CONTROLLING INTERESTS | TOTAL |
| Balance, December 31, 2011 | 106,573 | $ 1,066 | $ 874,753 | $ (822,625) | $ (22,344) | $ 9,447 | $ 40,297 |
| Net income | — | — | — | 67,439 | — | 6,957 | 74,396 |
| Foreign currency translation adjustment | — | — | — | — | (3,513) | — | (3,513) |
| Stock-based compensation | 261 | 3 | 1,460 | — | — | — | 1,463 |
| Repurchase of common stock | (56) | (1) | 316 | (431) | — | — | (116) |
| Issuance of notes receivable due from stockholders | — | — | (518) | — | — | — | (518) |
| Repayments of notes receivable due from stockholders | — | — | 1,463 | — | — | — | 1,463 |
| Distributions to noncontrolling interests | — | — | — | — | — | (8,409) | (8,409) |
| Contributions from noncontrolling interests | — | — | — | — | — | 378 | 378 |
| Balance, June 30, 2012 | 106,778 | $ 1,068 | $ 877,474 | $ (755,617) | $ (25,857) | $ 8,373 | $ 105,441 |

| | BLOOMIN' BRANDS, INC. | | | | | | |
|---|---|---|---|---|---|---|---|
| | COMMON STOCK | COMMON STOCK AMOUNT | ADDITIONAL PAID-IN CAPITAL | ACCUM-ULATED DEFICIT | ACCUMULATED OTHER COMPREHENSIVE LOSS | NON-CONTROLLING INTERESTS | TOTAL |
| Balance, December 31, 2010 | 106,573 | $ 1,066 | $ 871,963 | $ (922,630) | $ (19,633) | $ 13,323 | $ (55,911) |
| Net income | — | — | — | 68,895 | — | 5,663 | 74,558 |
| Foreign currency translation adjustment | — | — | — | — | 7,144 | — | 7,144 |
| Stock-based compensation | — | — | 1,357 | — | — | — | 1,357 |
| Issuance of notes receivable due from stockholders | — | — | (985) | — | — | — | (985) |
| Distributions to noncontrolling interests | — | — | (38) | — | — | (7,520) | (7,558) |
| Contributions from noncontrolling interests | — | — | — | — | — | 26 | 26 |
| Balance, June 30, 2011 | 106,573 | $ 1,066 | $ 872,297 | $ (853,735) | $ (12,489) | $ 11,492 | $ 18,631 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

# BLOOMIN' BRANDS, INC.
## CONSOLIDATED STATEMENTS OF CASH FLOWS
### (IN THOUSANDS, UNAUDITED)

| | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|
| | 2012 | 2011 |
| Cash flows provided by operating activities: | | |
| Net income | $ 74,396 | $ 74,558 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 78,107 | 76,751 |
| Amortization of deferred financing fees | 4,983 | 6,276 |
| Amortization of capitalized gift card sales commissions | 11,193 | 9,390 |
| Provision for impaired assets and restaurant closings | 9,089 | 3,931 |
| Accretion on debt discounts | 362 | 325 |
| Stock-based and other non-cash compensation expense | 16,029 | 20,420 |
| Income from operations of unconsolidated affiliates | (4,124) | (5,641) |
| Change in deferred income taxes | (330) | (57) |
| Loss on disposal of property, fixtures and equipment | 1,001 | 1,841 |
| Unrealized gain on derivative financial instruments | (191) | (35) |
| Gain on life insurance and restricted cash investments | (2,208) | (486) |
| Loss on extinguishment of debt | 2,851 | — |
| Recognition of deferred gain on sale-leaseback transaction | (537) | — |
| Change in assets and liabilities: | | |
| (Increase) decrease in inventories | (4,949) | 6,043 |
| Decrease (increase) in other current assets | 6,642 | (19,624) |
| Decrease in other assets | 892 | 3,942 |
| (Decrease) increase in accounts payable and accrued and other current liabilities | (38,141) | 20,994 |
| Increase in deferred rent | 7,208 | 5,506 |
| Decrease in unearned revenue | (106,084) | (95,292) |
| Increase (decrease) in other long-term liabilities | 1,515 | (7,095) |
| Net cash provided by operating activities | 57,704 | 101,747 |
| Cash flows provided by (used in) investing activities: | | |
| Purchases of Company-owned life insurance | (308) | (789) |
| Proceeds from sale of Company-owned life insurance | — | 2,638 |
| Proceeds from sale of property, fixtures and equipment | 1,255 | 688 |
| Proceeds from sale-leaseback transaction | 192,886 | — |
| Capital expenditures | (79,743) | (49,230) |
| Restricted cash received for capital expenditures, property taxes and certain deferred compensation plans | 50,614 | 45,569 |
| Restricted cash used to fund capital expenditures, property taxes and certain deferred compensation plans | (70,032) | (70,417) |
| Return on investment from unconsolidated affiliates | 332 | — |
| Net cash provided by (used in) investing activities | $ 95,004 | $ (71,541) |

(CONTINUED...)

# BLOOMIN' BRANDS, INC.
## CONSOLIDATED STATEMENTS OF CASH FLOWS
### (IN THOUSANDS, UNAUDITED)

| | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|
| | 2012 | 2011 |
| Cash flows used in financing activities: | | |
| Proceeds from issuance of long-term debt | $ 495,186 | $ — |
| Repayments of long-term debt | (12,211) | (9,598) |
| Extinguishment of debt | (777,563) | — |
| Repayments of borrowings on revolving credit facilities | (33,000) | (78,072) |
| Deferred financing fees | (5,442) | (52) |
| Contributions from noncontrolling interests | 378 | 26 |
| Distributions to noncontrolling interests | (8,409) | (7,558) |
| Repayments of partner deposits and accrued partner obligations | (15,306) | (21,188) |
| Issuance of notes receivable due from stockholders | (83) | (985) |
| Repayments of notes receivable due from stockholders | 1,463 | — |
| Net cash used in financing activities | (354,987) | (117,427) |
| Effect of exchange rate changes on cash and cash equivalents | 149 | 2,062 |
| Net decrease in cash and cash equivalents | (202,130) | (85,159) |
| Cash and cash equivalents at the beginning of the period | 482,084 | 365,536 |
| Cash and cash equivalents at the end of the period | $ 279,954 | $ 280,377 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | $ 39,923 | $ 36,328 |
| Cash paid for income taxes, net of refunds | 15,916 | 16,356 |
| Supplemental disclosures of non-cash investing and financing activities: | | |
| Conversion of partner deposits and accrued partner obligations to notes payable | $ 3,932 | $ 3,814 |
| Acquisitions of property, fixtures and equipment through accounts payable or capital lease liabilities | 1,577 | 2,846 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**BLOOMIN' BRANDS, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED)**

1. Basis of Presentation

Bloomin' Brands, Inc. ("Bloomin' Brands" or the "Company"), formerly known as Kangaroo Holdings, Inc., was formed by an investor group comprised of funds advised by Bain Capital Partners, LLC ("Bain Capital"), Catterton Management Company, LLC ("Catterton"), Chris T. Sullivan, Robert D. Basham and J. Timothy Gannon (the "Founders") and certain members of management. On June 14, 2007, Bloomin' Brands acquired OSI Restaurant Partners, Inc. by means of a merger and related transactions (the "Merger"). At the time of the Merger, OSI Restaurant Partners, Inc. was converted into a Delaware limited liability company named OSI Restaurant Partners, LLC ("OSI"). In connection with the Merger, Bloomin' Brands implemented a new ownership and financing arrangement for some of its restaurant properties, pursuant to which Private Restaurant Properties, LLC ("PRP"), a wholly-owned subsidiary of Bloomin' Brands, acquired 343 restaurant properties from OSI and leased them back to subsidiaries of OSI. OSI remains the primary operating entity, and a wholly-owned subsidiary of Bloomin' Brands continues to lease certain of the Company-owned restaurant properties to OSI's subsidiaries.

The Company owns and operates casual, upscale casual and fine dining restaurants primarily in the United States. The Company's restaurant portfolio has five concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, Fleming's Prime Steakhouse and Wine Bar and Roy's. Additional Outback Steakhouse, Carrabba's Italian Grill and Bonefish Grill restaurants in which the Company has no direct investment are operated under franchise agreements.

The accompanying interim unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States ("U.S. GAAP") for complete financial statements. In the opinion of the Company, all adjustments considered necessary for the fair presentation of the Company's results of operations, financial position and cash flows for the periods presented have been included and are of a normal, recurring nature. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2011 included in the Company's registration statement on Form S-1, as amended (File No. 333-180615), that was declared effective on August 7, 2012 (the "Registration Statement"). The Company's initial public offering was completed on August 13, 2012.

2. Recently Issued Financial Accounting Standards

In May 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" ("ASU No. 2011-04"), that establishes a number of new requirements for fair value measurements. These include: (i) a prohibition on grouping financial instruments for purposes of determining fair value, except when an entity manages market and credit risks on the basis of the entity's net exposure to the group; (ii) an extension of the prohibition against the use of a blockage factor to all fair value measurements (that prohibition currently applies only to financial instruments with quoted prices in active markets); and (iii) a requirement that for recurring Level 3 fair value measurements, entities disclose quantitative information about unobservable inputs, a description of the valuation process used and qualitative details about the sensitivity of the measurements. Additionally, for items not carried at fair value but for which fair value is disclosed, entities will be required to disclose the level within the fair value hierarchy that applies to the fair value measurement disclosed. ASU No. 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The adoption of ASU No. 2011-04 on January 1, 2012 increased the Company's fair value disclosure requirements but did not have an impact on the Company's financial position, results of operations or cash flows.

**BLOOMIN' BRANDS, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED) - Continued**

In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income" ("ASU No. 2011-05"), that eliminates the option to report other comprehensive income and its components in the statement of changes in equity. Instead, the new guidance requires the Company to present the components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate but consecutive statements. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. ASU No. 2011-05 must be applied retrospectively and is effective for public companies during the interim and annual periods beginning after December 15, 2011. Additionally, in December 2011, the FASB issued ASU No. 2011-12, "Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05" ("ASU No. 2011-12"), which indefinitely defers the requirement in ASU No. 2011-05 to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. The deferral of the presentation requirements does not impact the effective date of the other requirements in ASU 2011-05. During the deferral period, the existing requirements in generally accepted accounting principles in the United States for the presentation of reclassification adjustments must continue to be followed. ASU No. 2011-12 is effective for public companies during the interim and annual periods beginning after December 15, 2011. The adoption of ASU No. 2011-05 and ASU No. 2011-12 on January 1, 2012 did not have an impact on the Company's financial position, results of operations or cash flows as the guidance only requires a presentation change to comprehensive income.

In September 2011, the FASB issued ASU No. 2011-08, "Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment" ("ASU No. 2011-08"), which permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying value before applying the two-step quantitative goodwill impairment test. If it is determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing entities to go directly to the quantitative assessment. ASU No. 2011-08 is effective for annual and interim goodwill impairment tests performed in fiscal years beginning after December 15, 2011. The adoption of this guidance on January 1, 2012 did not have an impact on the Company's financial position, results of operations or cash flows.

In December 2011, the FASB issued ASU No. 2011-10, "Property, Plant, and Equipment (Topic 360): Derecognition of in Substance Real Estate—a Scope Clarification" ("ASU No. 2011-10"), which applies to a parent company that ceases to have a controlling financial interest in a subsidiary, that is in substance real estate, as a result of a default on the subsidiary's nonrecourse debt. The new guidance emphasizes that the parent should only deconsolidate the real estate subsidiary when legal title to the real estate is transferred to the lender and the related nonrecourse debt has been extinguished. If the reporting entity ceases to have a controlling financial interest under subtopic 810-10, the reporting entity would continue to include the real estate, debt, and the results of the subsidiary's operations in its consolidated financial statements until legal title to the real estate is transferred to legally satisfy the debt. This standard takes effect for public companies during the annual and interim periods beginning on or after June 15, 2012. The adoption of this guidance on July 1, 2012 did not have a material impact on the Company's financial statements.

**BLOOMIN' BRANDS, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED) - Continued**

In December 2011, the FASB issued ASU No. 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities" ("ASU No. 2011-11"), which enhances current disclosures about financial instruments and derivative instruments that are either offset on the statement of financial position or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the statement of financial position. The guidance requires the Company to provide both net and gross information for these assets and liabilities. ASU No. 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods with retrospective application required. This guidance will not have an impact on the Company's financial position, results of operations or cash flows as it only requires a presentation change to offsetting (netting) assets and liabilities.

In July 2012, the FASB issued ASU No. 2012-02, "Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment" ("ASU No. 2012-02"), which permits an entity to make a qualitative assessment of whether it is more likely than not that an indefinite-lived intangible asset's fair value is less than its carrying value before applying the two-step quantitative impairment test. If it is determined through the qualitative assessment that an indefinite-lived intangible asset's fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing entities to go directly to the quantitative assessment. ASU No. 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The Company will adopt ASU No. 2012-02 effective January 1, 2013. This guidance will not have a material impact on the Company's financial position, results of operations or cash flows.

3. Stock-based and Deferred Compensation Plans

Shares of restricted stock issued on June 14, 2007 to certain of the Company's current and former executive officers and other members of management vested each June 14 through 2012. In accordance with the terms of their applicable agreements, the Company loaned an aggregate of $0.4 million and $0.9 million to these individuals in June of 2012 and 2011, respectively, for their personal income tax obligations that resulted from vesting of the restricted stock. During the first quarter of 2012, three of the Company's named executive officers and certain other former members of management repaid their entire loan balances to the Company. As of June 30, 2012 and December 31, 2011, a total of $6.0 million and $7.2 million, respectively, of loans and associated interest obligations to current and former executive officers and other members of management was outstanding and was recorded as contra-equity in the line item "Additional paid-in capital" in the Company's Consolidated Balance Sheets. The loans are full recourse and are collateralized by the vested shares of restricted stock. Although these loans are permitted in accordance with the terms of the agreements, the Company is not required to make them in the future. On May 10, 2012, the Company approved an amendment to the loans to extend the timing for mandatory prepayment in connection with an initial public offering to require full repayment by the last trading day in the first trading window subsequent to the expiration of contractual lock-up restrictions imposed in connection with the offering.

On May 10, 2012, the Board of Directors authorized an additional 850,000 shares for issuances of stock options and restricted stock under the Company's 2007 Equity Incentive Plan (the "2007 Equity Plan"). The total shares authorized under the 2007 Equity Plan, including the increase, is 13,200,000. Upon completion of the Company's initial public offering, the Bloomin' Brands, Inc. 2012 Incentive Award Plan (the "2012 Equity Plan") was adopted, and no further awards will be made under the 2007 Equity Plan (see Note 14).

On May 10, 2012, the retention bonus and the incentive bonus agreements with the Company's Chief Executive Officer ("CEO") were amended. In accordance with the terms of this amendment to the bonus agreements, the remaining payments under each agreement were accelerated to a single lump sum payment of $22.4 million as a result of the completion of the Company's initial public offering and was paid in the third quarter of 2012. The Company recorded $18.1 million for the accelerated bonus expense in the line item "General and administrative" in its Consolidated Statement of Operations and Comprehensive Income for the three months ended September 30, 2012.

**BLOOMIN' BRANDS, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED) - Continued**

4. Net Income Attributable to Bloomin' Brands, Inc. Per Common Share

Basic net income attributable to Bloomin' Brands, Inc. per common share is computed on the basis of the weighted average number of common shares that were outstanding during the period. Diluted net income attributable to Bloomin' Brands, Inc. per common share includes the dilutive effect of common stock equivalents consisting of restricted stock and stock options, using the treasury stock method. Performance-based restricted stock and stock options are considered dilutive when the related performance criterion has been met.

The computation of basic and diluted net income attributable to Bloomin' Brands, Inc. per common share is as follows (in thousands, except share and per share amounts):

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Net income attributable to Bloomin' Brands, Inc. | $ 17,440 | $ 14,003 | $ 67,439 | $ 68,895 |
| Basic weighted average common shares outstanding | 106,360,717 | 106,134,814 | 106,360,717 | 106,134,814 |
| Effect of diluted securities: | | | | |
| Stock options | 900,623 | 42,856 | 804,517 | 212,687 |
| Unvested restricted stock | 118,348 | 36,677 | 89,551 | 14,267 |
| Diluted weighted average common shares outstanding | 107,379,688 | 106,214,347 | 107,254,785 | 106,361,768 |
| Basic net income attributable to Bloomin' Brands, Inc. per common share | $ 0.16 | $ 0.13 | $ 0.63 | $ 0.65 |
| Diluted net income attributable to Bloomin' Brands, Inc. per common share | $ 0.16 | $ 0.13 | $ 0.63 | $ 0.65 |

Dilutive securities outstanding not included in the computation of net income attributable to Bloomin' Brands, Inc. per common share because their effect was antidilutive were as follows:

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Stock options | 550,000 | 1,488,000 | 550,000 | 1,488,000 |

5. Variable Interest Entities

The Company consolidates variable interest entities in which it is deemed to have a controlling financial interest as a result of the Company having (1) the power to direct the activities that most significantly impact the entity's economic performance and (2) the obligation to absorb the losses or the right to receive the benefits that could potentially be significant to the variable interest entity. If the Company has a controlling financial interest in a variable interest entity, the assets, liabilities, and results of the operations of the variable interest entity are included in the consolidated financial statements.

**Roy's and RY-8, Inc.**

The Company's consolidated financial statements include the accounts and operations of its Roy's joint venture although it has less than majority ownership. The Company determined it is the primary beneficiary of the joint venture since the Company has the power to direct or cause the direction of the activities that most significantly impact the entity on a day-to-day basis, such as decisions regarding menu development, purchasing, restaurant expansion and closings and the management of employee-related processes. Additionally, the Company has the obligation to absorb losses

**BLOOMIN' BRANDS, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED) - Continued**

or the right to receive benefits of the Roy's joint venture that could potentially be significant to the Roy's joint venture. The majority of capital contributions made by the Company's partner in the Roy's joint venture, RY-8, Inc. ("RY-8"), have been funded by loans to RY-8 from a third party which OSI guarantees. The guarantee is secured by a collateral interest in RY-8's membership interest in the joint venture. The carrying amounts of consolidated assets and liabilities included within the Company's Consolidated Balance Sheets for the Roy's joint venture were $24.3 million and $10.6 million, respectively, at June 30, 2012 and $26.2 million and $9.6 million, respectively, at December 31, 2011.

The Company is also the primary beneficiary of RY-8 because its implicit variable interest in that entity, which is considered a de facto related party, indirectly receives the variability of the entity through absorption of RY-8's expected losses, and therefore the Company also consolidates RY-8. Since RY-8's $24.5 million line of credit became fully extended in 2007, the Company made interest payments, paid line of credit renewal fees and made capital expenditures for additional restaurant development on behalf of RY-8. The Company is obligated to provide financing, either through OSI's guarantee with a third-party institution or loans, for all required capital contributions and interest payments. Therefore, any additional RY-8 capital requirements in connection with the joint venture likely will be the Company's responsibility. RY-8's line of credit expires on April 15, 2013. The Company classifies OSI's $24.5 million contingent obligation as guaranteed debt and the portion of income or loss attributable to RY-8 is eliminated in the line item in the Consolidated Statements of Operations and Comprehensive Income entitled "Net income attributable to noncontrolling interests." All material intercompany balances and transactions have been eliminated.

**Paradise Restaurant Group, LLC**

In September 2009, the Company sold its Cheeseburger in Paradise concept, which included 34 restaurants, for $2.0 million to Paradise Restaurant Group, LLC ("PRG"), an entity formed and controlled by the president of the concept. Based on the terms of the purchase and sale agreement, the Company determined at that time that it was the primary beneficiary and continued to consolidate PRG after the sale transaction.

Upon adoption of new accounting guidance for variable interest entities on January 1, 2010, the Company determined that it is no longer the primary beneficiary of PRG. As a result, the Company deconsolidated PRG on January 1, 2010. The Company determined that certain rights pursuant to a $2.0 million promissory note, which is fully reserved, owed to the Company by PRG are non-substantive participating rights, and as a result, the Company does not have the power to direct the activities that most significantly impact the entity. At June 30, 2012, the maximum undiscounted exposure to loss as a result of the Company's involvement with PRG is $17.8 million related to lease payments extending through June 13, 2022 in the event that PRG defaults on these leases.

6. Other Current Assets, Net

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

| | JUNE 30, 2012 | DECEMBER 31, 2011 |
|---|---|---|
| Prepaid expenses | $ 28,718 | $ 18,113 |
| Accounts receivable - vendors, net | 33,350 | 48,568 |
| Accounts receivable - franchisees, net | 2,787 | 2,396 |
| Accounts receivable - other, net | 6,018 | 11,869 |
| Other current assets, net | 14,928 | 23,427 |
| | $ 85,801 | $ 104,373 |

**BLOOMIN' BRANDS, INC.**
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**(UNAUDITED) - Continued**

7. Property, Fixtures and Equipment, Net

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

| | JUNE 30, 2012 | DECEMBER 31, 2011 |
|---|---|---|
| Land | $ 265,244 | $ 329,143 |
| Buildings and building improvements | 906,922 | 1,013,618 |
| Furniture and fixtures | 279,854 | 263,266 |
| Equipment | 388,356 | 362,649 |
| Leasehold improvements | 381,627 | 369,726 |
| Construction in progress | 32,208 | 22,011 |
| Less: accumulated depreciation | (771,774) | (724,515) |
| | $ 1,482,437 | $ 1,635,898 |

Effective March 14, 2012, the Company entered into a sale-leaseback transaction (the "Sale-Leaseback Transaction") with two third-party real estate institutional investors in which the Company sold 67 restaurant properties at fair market value for net proceeds of $192.9 million. The Company then simultaneously leased these properties under nine master leases (collectively, the "REIT Master Leases"). The initial term of the REIT Master Leases are 20 years with four five-year renewal options. One renewal period is at a fixed rental amount and the last three renewal periods are generally based at then-current fair market values. The sale at fair market value and subsequent leaseback qualified for sale-leaseback accounting treatment, and the REIT Master Leases are classified as operating leases. In accordance with the applicable accounting guidance, the 67 restaurant properties are not classified as held for sale at December 31, 2011 since the Company is leasing back the properties. The Company recorded the deferred gain of $42.9 million on the sale of certain of the properties primarily in the line item "Other long-term liabilities, net" in its Consolidated Balance Sheet as of March 31, 2012, which is amortized over the initial term of the lease.

8. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following (in thousands):

| | JUNE 30, 2012 | DECEMBER 31, 2011 |
|---|---|---|
| Accrued payroll and other compensation | $ 91,064 | $ 117,013 |
| Accrued insurance | 21,459 | 19,284 |
| Other current liabilities | 63,732 | 75,189 |
| | $ 176,255 | $ 211,486 |

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9. Long-term Debt, Net

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

| | JUNE 30, 2012 | DECEMBER 31, 2011 |
|---|---|---|
| Senior secured term loan facility, interest rates of 2.56% and 2.63% at June 30, 2012 and December 31, 2011, respectively (1) (2) | $ 1,007,850 | $ 1,014,400 |
| Senior secured pre-funded revolving credit facility, interest rate of 2.63% at December 31, 2011 (2) | — | 33,000 |
| Mortgage loan, weighted average interest rate of 3.96% at June 30, 2012 (3) | 323,530 | — |
| First mezzanine loan, interest rate of 9.00% at June 30, 2012 (3) | 87,465 | — |
| Second mezzanine loan, interest rate of 11.25% at June 30, 2012 (3) | 87,520 | — |
| Note payable, weighted average interest rate of 0.98% at December 31, 2011 (3) | — | 466,319 |
| First mezzanine note, interest rate of 3.28% at December 31, 2011 (3) | — | 88,900 |
| Second mezzanine note, interest rate of 3.53% at December 31, 2011 (3) | — | 123,190 |
| Third mezzanine note, interest rate of 3.54% at December 31, 2011 (3) | — | 49,095 |
| Fourth mezzanine note, interest rate of 4.53% at December 31, 2011 (3) | — | 48,113 |
| Senior notes, interest rate of 10.00% at June 30, 2012 and December 31, 2011 (2) | 248,075 | 248,075 |
| Other notes payable, uncollateralized, interest rates ranging from 0.73% to 7.00% and from 0.76% to 7.00% at June 30, 2012 and December 31, 2011, respectively (2) | 9,213 | 9,094 |
| Sale-leaseback obligations (2) | 2,375 | 2,375 |
| Capital lease obligations (2) | 2,382 | 2,520 |
| Guaranteed debt, interest rate of 2.67% and 2.65% at June 30, 2012 and December 31, 2011, respectively (2) | 24,500 | 24,500 |
| | 1,792,910 | 2,109,581 |
| Less: current portion of long-term debt | (26,580) | (332,905) |
| Less: guaranteed debt | (24,500) | (24,500) |
| Less: debt discount | (4,620) | (291) |
| Long-term debt, net | $ 1,737,210 | $ 1,751,885 |

(1) At December 31, 2011, $61.9 million of the Company's outstanding senior secured term loan facility was at an interest rate of 4.50%.
(2) Represents obligations of OSI.
(3) Represents obligations of New PRP (as defined below) at June 30, 2012 and obligations of PRP at December 31, 2011.

Bloomin' Brands is a holding company and conducts its operations through its subsidiaries, certain of which have incurred their own indebtedness as described below.

On June 14, 2007, OSI entered into senior secured credit facilities with a syndicate of institutional lenders and financial institutions. These senior secured credit facilities provide for senior secured financing of up to $1.6 billion, consisting of a $1.3 billion term loan facility, a $150.0 million working capital revolving credit facility, including letter of credit and swing-line loan sub-facilities, and a $100.0 million pre-funded revolving credit facility that provides financing for capital expenditures only.

The senior secured term loan facility matures June 14, 2014. At each rate adjustment, OSI has the option to select a Base Rate plus 125 basis points or a Eurocurrency Rate plus 225 basis points for the borrowings under this facility. The Base Rate option is the higher of the prime rate of Deutsche Bank AG New York Branch and the federal funds effective rate plus 0.5 of 1.0% ("Base Rate") (3.25% at June 30, 2012 and December 31, 2011). The Eurocurrency Rate option is the 30, 60, 90 or 180-day Eurocurrency Rate ("Eurocurrency Rate") (ranging from 0.31% to 0.81% and from 0.38% to 0.88% at June 30, 2012 and December 31, 2011, respectively). The Eurocurrency Rate may have a nine- or twelve-month interest period if agreed upon by the applicable lenders. With either the Base Rate or the Eurocurrency Rate, the interest rate is reduced by 25 basis points if the associated Moody's Applicable Corporate Rating then most recently published is B1 or higher (the rating was Caa1 at June 30, 2012 and December 31, 2011).

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OSI is required to prepay outstanding term loans, subject to certain exceptions, with:

- 50% of its "annual excess cash flow" (with step-downs to 25% and 0% based upon its rent-adjusted leverage ratio), as defined in the credit agreement and subject to certain exceptions;
- 100% of its "annual minimum free cash flow," as defined in the credit agreement, not to exceed $75.0 million for each fiscal year, if its rent-adjusted leverage ratio exceeds a certain minimum threshold;
- 100% of the net proceeds of certain assets sales and insurance and condemnation events, subject to reinvestment rights and certain other exceptions; and
- 100% of the net proceeds of any debt incurred, excluding permitted debt issuances.

Additionally, OSI is required, on an annual basis, to first, repay outstanding loans under the pre-funded revolving credit facility and second, fund a capital expenditure account to the extent amounts on deposit are less than $100.0 million, in both cases with 100% of OSI's "annual true cash flow," as defined in the credit agreement. In accordance with these requirements, OSI repaid its pre-funded revolving credit facility outstanding loan balance of $33.0 million and funded $37.6 million to its capital expenditure account using its "annual true cash flow" in April 2012.

OSI's senior secured credit facilities require scheduled quarterly payments on the term loans equal to 0.25% of the original principal amount of the term loans for the first six years and three quarters following June 14, 2007. These payments are reduced by the application of any prepayments, and any remaining balance will be paid at maturity. The outstanding balance on the term loans was $1.0 billion at June 30, 2012 and December 31, 2011. OSI has classified $13.1 million of its term loans as current at June 30, 2012 and December 31, 2011 due to its required quarterly payments and the results of its projected and actual covenant calculations, which indicate the additional term loan prepayments, as described above, will not be required. The amount of outstanding term loans required to be prepaid in accordance with OSI's debt covenants may vary based on year-end results.

Proceeds of loans and letters of credit under OSI's $150.0 million working capital revolving credit facility, which matures June 14, 2013, provide financing for working capital and general corporate purposes and, subject to a rent-adjusted leverage condition, for capital expenditures for new restaurant growth. This revolving credit facility bears interest at rates ranging from 100 to 150 basis points over the Base Rate or 200 to 250 basis points over the Eurocurrency Rate. There were no loans outstanding under the revolving credit facility at June 30, 2012 and December 31, 2011; however, $65.6 million and $67.6 million, respectively, of the credit facility was committed for the issuance of letters of credit and not available for borrowing. OSI's total outstanding letters of credit issued under its working capital revolving credit facility may not exceed $75.0 million.

Proceeds of loans under OSI's $100.0 million pre-funded revolving credit facility, which expires June 14, 2013, are available to provide financing for capital expenditures, if the capital expenditure account described above has a zero balance. There were no loans outstanding under OSI's pre-funded revolving credit facility as of June 30, 2012 and $33.0 million was outstanding under this facility as of December 31, 2011. This borrowing was recorded in "Current portion of long-term debt" in the Company's Consolidated Balance Sheet, as OSI is required to repay any outstanding borrowings in April following each fiscal year using its "annual true cash flow," as defined in the credit agreement. Subsequent to the end of the second quarter of 2012, OSI borrowed $25.0 million from its pre-funded revolving credit facility.

At June 30, 2012 and December 31, 2011, OSI was in compliance with its debt covenants. See the Company's audited financial statements and notes thereto for the year ended December 31, 2011 included in the Company's Registration Statement for further information about OSI's debt covenant requirements.

In March 2012, the Company refinanced the debt at PRP. Until that time, PRP had first mortgage and mezzanine notes (together, the commercial mortgage-backed securities loan, or the "CMBS Loan") totaling $790.0 million, which were entered into on June 14, 2007. As part of the CMBS Loan, German American Capital Corporation and Bank of America,

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N.A. et al (the "Lenders") had a security interest in the acquired real estate and related improvements, and direct and indirect equity interests of certain of the Company's subsidiaries. The CMBS Loan comprised a note payable and four mezzanine notes. All notes bore interest at the one-month LIBOR which was 0.28% at December 31, 2011, plus an applicable spread which ranged from 0.51% to 4.25%. Interest-only payments were made on the ninth calendar day of each month and interest accrued beginning on the fifteenth calendar day of the preceding month.

Effective March 27, 2012, New Private Restaurant Properties, LLC and two of the Company's other indirect wholly-owned subsidiaries (collectively, "New PRP") entered into a new commercial mortgage-backed securities loan (the "2012 CMBS Loan") with German American Capital Corporation and Bank of America, N.A. The 2012 CMBS Loan totaled $500.0 million at origination and was comprised of a first mortgage loan in the amount of $324.8 million, collateralized by 261 of the Company's properties, and two mezzanine loans totaling $175.2 million. The loans have a maturity date of April 10, 2017. The first mortgage loan has five fixed rate components and a floating rate component. The fixed rate components bear interest at rates ranging from 2.37% to 6.81% per annum. The floating rate component bears interest at a rate per annum equal to the 30-day LIBOR rate (with a floor of 1%) plus 2.37%. The first mezzanine loan bears interest at a rate of 9.0% per annum, and the second mezzanine loan bears interest at a rate of 11.25% per annum. The proceeds from the 2012 CMBS Loan, together with the proceeds from the Sale-Leaseback Transaction and excess cash held in PRP, were used to repay PRP's existing CMBS Loan. As a result of the 2012 CMBS Loan refinancing, the net amount repaid along with scheduled maturities within one year, $281.3 million was classified as current at December 31, 2011. During the first quarter of 2012, the Company recorded a $2.9 million loss related to the extinguishment in the line item, "Loss on extinguishment of debt" in its Consolidated Statement of Operations and Comprehensive Income. The Company deferred $7.6 million of financing costs incurred to complete this transaction of which $2.2 million had been capitalized as of December 31, 2011 and the remainder was capitalized in the first quarter of 2012. These deferred financing costs are included in the line item, "Other assets, net" in its Consolidated Balance Sheets. At June 30, 2012, the outstanding balance, excluding the debt discount, on the 2012 CMBS Loan was $498.5 million.

Historically, the Company used an interest rate cap with a notional amount of $775.7 million as a method to limit the volatility of PRP's variable-rate CMBS Loan. During the first quarter of 2012, this interest rate cap was terminated. In connection with the 2012 CMBS Loan refinancing, New PRP entered into a replacement interest rate cap instrument ("Rate Cap") effective March 27, 2012 with a notional amount of $48.7 million as a method to limit the volatility of the floating rate component of the first mortgage loan. Under the Rate Cap, if the 30-day LIBOR market rate exceeds 7.0% per annum, the counterparty must pay to New PRP such excess on the notional amount of the floating rate component. Should it be necessary, New PRP would record any mark-to-market changes in the fair value of its derivative instrument into earnings in the period of change. The Rate Cap has a term of approximately two years from the closing of the 2012 CMBS Loan. Upon the expiration or termination of the Rate Cap or the downgrade of the credit ratings of the counterparty under the Rate Cap's specified thresholds, New PRP is required to replace the Rate Cap with a replacement interest rate cap in a notional amount equal to the outstanding principal balance (if any) of the floating rate component.

On July 25, 2012, OSI announced the commencement of a tender offer for all of its outstanding 10% senior notes due 2015, and on August 13, 2012, the remaining senior notes not tendered were called for redemption at 102.5% of the principal amount outstanding plus accrued interest, up to but not including such date of redemption (see Note 14).

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10. Other Long-term Liabilities, Net

Other long-term liabilities, net, consisted of the following (in thousands):

| | JUNE 30, 2012 | DECEMBER 31, 2011 |
|---|---|---|
| Accrued insurance liability | $ 40,542 | $ 39,575 |
| Unfavorable leases, net of accumulated amortization of $20,083 and $18,891 at June 30, 2012 and December 31, 2011, respectively | 59,918 | 62,012 |
| Partner Equity Plan obligation | 81,492 | 77,642 |
| Supplemental Partner Equity Plan obligation | 14,926 | 16,235 |
| Deferred gain on Sale-Leaseback Transaction, net of accumulated amortization of $537 at June 30, 2012 | 40,255 | — |
| Other long-term liabilities | 22,738 | 23,288 |
| | $ 259,871 | $ 218,752 |

11. Fair Value Measurements

**Fair Value Measurements on a Recurring Basis**

The Company invested $23.3 million and $37.7 million of its excess cash in money market funds classified as Cash and cash equivalents or restricted cash in its Consolidated Balance Sheets at June 30, 2012 and December 31, 2011, respectively, at a net value of 1:1 for each dollar invested. The fair value of the investment in the money market funds is determined by using quoted prices for identical assets in an active market.

At December 31, 2011, the Company was highly leveraged and exposed to interest rate risk to the extent of its variable-rate debt. The Company used an interest rate cap with a notional amount of $775.7 million as a method to limit the volatility of PRP's variable-rate commercial mortgage-backed securities loan. During the first quarter of 2012, this interest rate cap was terminated. In connection with the refinancing of the commercial mortgage-backed securities loan that was effective in March 2012, a new Rate Cap with a notional amount of $48.7 million was entered into for similar purposes (see Note 9). The interest rate caps did not have any fair market value at June 30, 2012 or December 31, 2011 and, therefore, were excluded from the applicable tables within this footnote.

The following tables present the Company's money market funds measured at fair value on a recurring basis as of June 30, 2012 and December 31, 2011, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

| | JUNE 30, 2012 | | | |
|---|---|---|---|---|
| | | FAIR VALUE | | |
| | CARRYING VALUE | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| Assets: | | | | |
| Money market funds - cash equivalents | $ 208 | $ 208 | $ — | $ — |
| Money market funds - restricted cash | 23,084 | 23,084 | — | — |
| Total recurring fair value measurements | $ 23,292 | $ 23,292 | $ — | $ — |

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
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| | DECEMBER 31, 2011 | | | |
|---|---|---|---|---|
| | | FAIR VALUE | | |
| | CARRYING VALUE | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| Assets: | | | | |
| Money market funds - cash equivalents | $ 30,208 | $ 30,208 | $ — | $ — |
| Money market funds - restricted cash | 7,499 | 7,499 | — | — |
| Total recurring fair value measurements | $ 37,707 | $ 37,707 | $ — | $ — |

**Fair Value Measurements on a Nonrecurring Basis**

The Company periodically evaluates long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. The Company analyzes historical and expected future cash flows of operating locations as well as lease terms, condition of the assets and related need for repairs and maintenance. Impairment loss is recognized to the extent that the fair value of the assets is less than the carrying value.

The following tables present losses related to the Company's assets and liabilities that were measured at fair value on a nonrecurring basis during the three and six months ended June 30, 2012 aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

| | JUNE 30, 2012 | | | | THREE MONTHS ENDED JUNE 30, 2012 |
|---|---|---|---|---|---|
| | | REMAINING FAIR VALUE | | | |
| | CARRYING VALUE | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL LOSSES |
| Long-lived assets held and used | $ 2,075 | $ — | $ — | $ 2,075 | $ 4,654 |

| | JUNE 30, 2012 | | | | SIX MONTHS ENDED JUNE 30, 2012 |
|---|---|---|---|---|---|
| | | REMAINING FAIR VALUE | | | |
| | CARRYING VALUE | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL LOSSES |
| Long-lived assets held and used | $ 2,933 | $ — | $ 650 | $ 2,283 | $ 9,088 |

The Company recorded $4.7 million and $9.1 million of impairment charges during the three and six months ended June 30, 2012, respectively, as a result of fair value measurement on a nonrecurring basis primarily related to certain specifically identified restaurant locations with individual store under-performance or having been designated for relocation or renovation. At the time of the impairment recognized in the second quarter of 2012, the impaired long-lived assets had $2.1 million of remaining fair value. As of June 30, 2012, there was $2.9 million remaining fair value associated with long-lived assets for which asset impairment losses were recognized during the six months ended June 30, 2012. Impairment losses for long-lived assets held and used were recognized in the line item "Provision for impaired assets and restaurant closings" in the Consolidated Statements of Operations and Comprehensive Income.

The Company used a third-party market appraisal for the fair value of the assets included in Level 2 in the tables above and primarily used discounted cash flow models to estimate the fair value of the long-lived assets included in Level 3 in the tables above. Projected future cash flows, including discount rate and growth rate assumptions, are derived from current economic conditions, expectations of management and projected trends of current operating results. As a result, the Company has determined that the majority of the inputs used to value its long-lived assets held and used are unobservable inputs that fall within Level 3 of the fair value hierarchy.

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The following table presents quantitative information related to the unobservable inputs used in the Company's Level 3 fair value measurements for the impairment loss incurred in the six months ended June 30, 2012:

| UNOBSERVABLE INPUT | RANGE |
|---|---|
| Weighted-average costs of capital (1) | 10.4% - 11.2% |
| Long-term growth rate | 3.0% |
| Annual revenue growth rates (2) | (8.7)% - 4.3% |

(1) Weighted average of the costs of capital unobservable input range for the six months ended June 30, 2012 was 10.9%.
(2) Weighted average of the annual revenue growth rate unobservable input range for the six months ended June 30, 2012 was 2.6%.

The Company performed its annual goodwill and other indefinite-lived intangible assets impairment test during the second quarters of 2012 and 2011 and did not have any impairment charges. The Company did not have any other material impairment charges as a result of fair value measurements on a nonrecurring basis during the three and six months ended June 30, 2011.

**Interim Disclosures about Fair Value of Financial Instruments**

The Company's non-derivative financial instruments at June 30, 2012 and December 31, 2011 consist of cash equivalents, restricted cash, accounts receivable, accounts payable and current and long-term debt. The fair values of cash equivalents, restricted cash, accounts receivable and accounts payable approximate their carrying amounts reported in the Consolidated Balance Sheets due to their short duration. The fair value of OSI's senior secured credit facilities and senior notes is determined based on quoted market prices in inactive markets. The fair value of PRP's and New PRP's commercial mortgage-backed securities is based on assumptions derived from current conditions in the real estate and credit environments, changes in the underlying collateral and expectations of management. Fair value estimates for other notes payable and guaranteed debt are derived using a discounted cash flow approach. Discounted cash flow inputs primarily include cost of debt rates which are used to derive the present value factors for the determination of fair value. Guaranteed debt fair value also includes assumptions of the probability and timing of performance under the guarantee. These inputs represent assumptions impacted by economic conditions and management expectations and may change in the future based on period-specific facts and circumstances.

The following table includes the carrying value and fair value of the Company's financial instruments (excluding cash equivalents and restricted cash shown in the table above) at June 30, 2012 aggregated by the level in the fair value hierarchy in which those measurements fall (in thousands):

| | JUNE 30, 2012 | | | |
|---|---|---|---|---|
| | | FAIR VALUE | | |
| | CARRYING VALUE | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| Senior secured term loan facility (1) | $ 1,007,850 | $ — | $ 990,213 | $ — |
| Mortgage loan (2) | 323,530 | — | — | 323,530 |
| First mezzanine loan (2) | 87,465 | — | — | 87,465 |
| Second mezzanine loan (2) | 87,520 | — | — | 87,520 |
| Senior notes (1) | 248,075 | — | 254,897 | — |
| Other notes payable (1) | 9,213 | — | — | 8,585 |
| Guaranteed debt (1) | 24,500 | — | — | 22,790 |

(1) Represents obligations of OSI.
(2) Represents obligations of New PRP.

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The carrying amounts of PRP's commercial mortgage-backed securities loan and OSI's Other notes payable and Guaranteed debt approximated fair value at December 31, 2011. The following table includes the carrying value and fair value of OSI's senior secured credit facilities and senior notes at December 31, 2011 (in thousands):

| | DECEMBER 31, 2011 | |
|---|---|---|
| | CARRYING VALUE | FAIR VALUE |
| Senior secured term loan facility | $ 1,014,400 | $ 953,536 |
| Senior secured pre-funded revolving credit facility | 33,000 | 31,020 |
| Senior notes | 248,075 | 254,277 |

12. Income Taxes

The effective income tax rate for the three months ended June 30, 2012 was 16.1% compared to 20.3% for the same period in 2011. This net decrease in the effective income tax rate was primarily due to the benefit of items required to be treated discretely, such as changes in domestic and foreign uncertain tax positions, offsetting the effect of the increase in the projected and actual domestic pretax book income as compared to the prior year.

The effective income tax rate for the six months ended June 30, 2012 was 18.4% compared to 17.0% for the same period in 2011. This net increase in the effective income tax rate was primarily due to the increase in the projected and actual domestic pretax book income as compared to the prior year offsetting the benefit of items required to be treated discretely, such as changes in domestic and foreign uncertain tax positions.

The effective income tax rates for the three and six months ended June 30, 2012 were lower than the combined federal and state statutory rate of 38.7% primarily due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips and the elimination of noncontrolling interest together being such a large percentage of projected annual pretax income. This was partially offset by an increase in the valuation allowance. The effective income tax rates for the three and six months ended June 30, 2011 were lower than the combined federal and state statutory rate of 38.9% due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips and the foreign rate differential together being such a large percentage of projected annual pretax income. This was partially offset by an increase in the valuation allowance.

As of June 30, 2012 and December 31, 2011, the Company had $11.9 million and $14.0 million, respectively, of unrecognized tax benefits ($0.9 million and $1.5 million, respectively, in "Other long-term liabilities, net," $1.0 million and $2.5 million, respectively, in "Accrued and other current liabilities" and $10.0 million in "Deferred income tax liabilities"). Additionally, the Company accrued $2.3 million and $4.1 million of interest and penalties related to uncertain tax positions as of June 30, 2012 and December 31, 2011, respectively. Of the total amount of unrecognized tax benefits, including accrued interest and penalties, $12.1 million and $15.2 million, respectively, if recognized, would impact the Company's effective tax rate. The difference between the total amount of unrecognized tax benefits and the amount that would impact the effective tax rate consists of items that are offset by deferred income tax assets and the federal tax benefit of state income tax items.

In many cases, the Company's uncertain tax positions are related to tax years that remain subject to examination by relevant taxable authorities. Based on the outcome of these examinations, or as a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the related recorded unrecognized tax benefits for tax positions taken on previously filed tax returns will decrease by approximately $2.0 million to $4.0 million within the next twelve months after June 30, 2012.

The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2007 through 2011. The Company and its subsidiaries' state and foreign income tax returns are also open to audit under the statute of limitations for the years ended December 31, 2000 through 2011.

**BLOOMIN' BRANDS, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED) - Continued**

13. Related Parties

On May 10, 2012, the Company entered into a first amendment to its management agreement with Kangaroo Management Company I, LLC (the "Management Company"), whose members are entities associated with Bain Capital and Catterton and the Founders. In accordance with the terms of this amendment, the management agreement terminated immediately prior to the completion of the Company's initial public offering, and a termination fee of $8.0 million was paid to the Management Company in the third quarter of 2012, in addition to a pro-rated periodic fee.

14. Subsequent Events

On July 25, 2012, OSI announced the commencement of a tender offer for all of its outstanding senior notes. On August 13, 2012, OSI accepted for payment $102.2 million, or 41.2%, of the aggregate principal amount of its 10% senior notes, using a portion of the net proceeds from the Company's initial public offering. OSI paid $106.8 million for the senior notes tendered, which included $2.9 million of prepayment premium and early tender incentive fees and $1.7 million of accrued interest. Further, on August 13, 2012, the remaining senior notes were called for redemption at 102.5% of the principal amount outstanding plus accrued interest, up to but not including such date of redemption. OSI deposited the full funds for the redemption with the trustee under the indenture governing the senior notes, which was comprised of the rest of the Company's net proceeds from its initial public offering and cash on hand, and the senior notes obligation was satisfied and discharged. The deposited funds will be used to repay in full $145.9 million of remaining outstanding senior notes plus the related prepayment premium of $3.6 million and accrued interest of $3.5 million. As a result of these transactions, the Company recorded a loss from the extinguishment of debt of $9.0 million in the third quarter of 2012, which included $2.4 million for the write-off of unamortized deferred financing fees that related to the extinguished senior notes.

Upon completion of the Company's initial public offering, the Company recorded approximately $16.0 million of aggregate non-cash compensation expense with respect to (i) certain stock options held by its CEO that become exercisable (to the extent then vested) if following the offering, the volume-weighted average trading price of the Company's common stock is equal to or greater than specified performance targets over a six-month period and (ii) the time vested portion of stock options containing a management call option due to the automatic termination of the call option upon completion of the offering.

Upon completion of the Company's initial public offering, the 2012 Equity Plan was adopted, and no further awards will be made under the 2007 Equity Plan. The 2012 Equity Plan provides for grants of stock options, stock appreciation rights, restricted stock and restricted stock units, performance awards and other stock-based awards determined by the compensation committee. The maximum number of shares of common stock available for issuance pursuant to the 2012 Equity Plan is initially 3,000,000 shares. As of the first business day of each fiscal year, commencing on January 1, 2013, the aggregate number of shares that may be issued pursuant to the 2012 Equity Plan will automatically increase by a number equal to 2% of the total number of shares then issued and outstanding. The 2012 Equity Plan provides that grants of performance awards will be made based upon, and subject to achieving, one or more performance measures over a performance period of not less than one year established by the compensation committee. Unless terminated earlier, the 2012 Equity Plan will terminate ten years from its effective date.

On September 4, 2012, the Company entered into an amended and restated employment agreement with its CEO, Elizabeth A. Smith. The agreement became effective upon execution and extends her employment until August 13, 2017 with one year automatic renewals thereafter. In accordance with the terms of the amended and restated employment agreement, Ms. Smith's annual base salary increased by $50,000 to $975,000, and she will be eligible for additional equity award grants beginning in 2014.

**BLOOMIN' BRANDS, 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 our Unaudited Consolidated Financial Statements and the related Notes. Unless the context otherwise indicates, as used in this report, the term the "Company," "we," "us," "our" and other similar terms mean Bloomin' Brands, Inc.

### Cautionary Statement

This Quarterly Report on Form 10-Q includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "feels," "forecasts," "seeks," "projects," "intends," "plans," "may," "will," "should," "could" or "would" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, the following:

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

(ii) Challenging economic conditions may affect our liquidity by adversely impacting numerous items that include, but are not limited to: consumer confidence and discretionary spending; the availability of credit presently arranged from our revolving credit facilities; the future cost and availability of credit; interest rates; foreign currency exchange rates; and the liquidity or operations of our third-party vendors and other service providers;

(iii) Our ability to expand is dependent upon various factors such as the availability of attractive sites for new restaurants; our ability to obtain appropriate real estate sites at acceptable prices; our ability to obtain all required governmental permits including zoning approvals and liquor licenses on a timely basis; the impact of government moratoriums or approval processes, which could result in significant delays; our ability to obtain all necessary contractors and subcontractors; union activities such as picketing and hand billing that could delay construction; our ability to generate or borrow funds; our ability to negotiate suitable lease terms; the ability to recruit and train skilled management and restaurant employees; and our ability to receive the premises from the landlord's developer without any delays;

(iv) Our results can be impacted by changes in consumer tastes and the level of consumer acceptance of our restaurant concepts (including consumer tolerance of our prices); local, regional, national and international economic and political conditions; the seasonality of our business; demographic trends; traffic patterns and our ability to effectively respond in a timely manner to changes in traffic patterns; changes in consumer dietary habits; employee availability; the cost of advertising and media; government actions and policies; inflation or deflation; unemployment rates; interest rates; exchange rates; and increases in various costs, including construction, real estate and health insurance costs;

(v) Weather, natural disasters and other disasters could result in construction delays and also adversely affect the results of one or more restaurants for an indeterminate amount of time;

(vi) Our results can be impacted by tax and other legislation and regulation in the jurisdictions in which we operate and by accounting standards or pronouncements;

(vii) Minimum wage increases and mandated employee benefits could cause a significant increase in our labor costs;

(viii) Commodities, including but not limited to, such items as beef, chicken, shrimp, pork, seafood, dairy, potatoes, onions and energy supplies, are subject to fluctuation in price and availability and price could increase or decrease more than we expect;

(ix) Our results can be affected by consumer reaction to public health issues;

(x) Our results can be affected by consumer perception of food safety;

(xi) Inability to protect customer credit and debit card data; and

(xii) Our substantial leverage and significant restrictive covenants in our various credit facilities could adversely affect our ability to raise additional capital to fund our operations, limit our ability to make capital expenditures to invest in new or renovate restaurants, limit our ability to react to changes in the economy or our industry and expose us to interest rate risk in connection with our variable-rate debt.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and industry developments may differ materially from statements made in or suggested by the forward-looking statements contained in this report. In addition, even if our results of operations, financial condition and liquidity, and industry developments are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods.

In light of these risks and uncertainties, we caution you not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this report speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statement or to publicly announce the results of any revision to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

**BLOOMIN' BRANDS, INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF**
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Overview**

We are one of the largest casual dining restaurant companies in the world with a portfolio of leading, differentiated restaurant concepts. As of June 30, 2012, we owned and operated 1,253 restaurants and had 197 restaurants operating under a franchise or joint venture arrangement across 49 states and 21 countries and territories internationally. We have five founder-inspired concepts: Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill, Fleming's Prime Steakhouse and Wine Bar and Roy's. Our concepts seek to provide a compelling customer experience combining great food, attentive service and lively and contemporary ambience at attractive prices. Our restaurants attract customers across a variety of occasions, including everyday dining, celebrations and business entertainment. Each of our concepts maintains a unique, founder-inspired brand identity and entrepreneurial culture, while leveraging our scale and enhanced operating model. We consider Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse and Wine Bar to be our core concepts.

The restaurant industry is a highly competitive and fragmented industry and is sensitive to changes in the economy, trends in lifestyles, seasonality (customer spending patterns at restaurants are generally highest in the first quarter of the year and lowest in the third quarter of the year) and fluctuating costs. Operating margins for restaurants can vary due to competitive pricing strategies and fluctuations in prices of commodities, including beef, chicken, seafood, butter, cheese, produce and other necessities to operate a restaurant, such as natural gas or other energy supplies. The pace of new unit growth has slowed in the casual dining category over the last few years. Given this dynamic, companies tend to be more focused on increasing market share and comparable restaurant sales growth. Competitive pressure for market share, inflation, foreign currency exchange rates and other market conditions have had and could continue to have an adverse impact on our business.

Our industry is characterized by high initial capital investment, coupled with high labor costs, and chain restaurants have been increasingly taking share from independent restaurants over the past several years. We believe that this trend will continue due to increasing barriers that may prevent independent restaurants and/or start-up chains from building scale operations, including menu labeling, burdensome labor regulations and healthcare reforms that will be enforced once chains grow past a certain number of restaurants or number of employees. The combination of these factors underscores our initiative to drive increased sales at existing restaurants in order to raise margins and profits, because the incremental contribution to profits from every additional dollar of sales above the minimum costs required to open, staff and operate a restaurant is relatively high. Historically, we have not focused on growth in the number of restaurants just to generate additional sales. Our expansion and operating strategies have balanced investment and operating cost considerations in order to generate reasonable, sustainable margins and achieve acceptable returns on investment from our restaurant concepts.

In 2010, we launched a new strategic plan and operating model, added experienced executives to our management team and adapted practices from the consumer products and retail industries to complement our restaurant acumen and enhance our brand management, analytics and innovation. This new model keeps the customer at the center of our decision-making and focuses on continuous innovation and productivity to drive sustainable sales and profit growth. As a result of these initiatives, we are recommitted to new unit development after curtailing expansion from 2009 to 2011. We believe that a substantial development opportunity remains for our concepts in the U.S. and internationally.

**BLOOMIN' BRANDS, INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF**
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

In 2011 and the first half of 2012, we continued to balance near-term growth in share gains with investments to achieve sustainable growth. For the remainder of 2012, our key growth strategies, which are enabled by continued improvements in infrastructure and organizational effectiveness, are:

- *Grow Comparable Restaurant Sales.* We plan to continue our efforts to remodel our Outback Steakhouse and Carrabba's Italian Grill restaurants, use limited-time offers and multimedia marketing campaigns to drive traffic, grow beyond our traditional weekend dinner traffic and introduce innovative menu items that match evolving consumer preferences.

- *Pursue New Domestic and International Development With Strong Unit Level Economics.* We believe that a substantial development opportunity remains for our concepts in the U.S. and internationally. We added significant resources in site selection, construction and design in 2010 and 2011 to support the opening of new restaurants. We expect to open 30 or more restaurants in 2012 and increase the pace thereafter.

- *Drive Margin Improvement.* We believe we have the opportunity to increase our margins through cost reductions in labor, food cost, supply chain and restaurant facilities.

**Key Performance Indicators**

Key measures that we use in evaluating our restaurants and assessing our business include the following:

- *Average restaurant unit volumes* - average sales per restaurant to measure changes in customer traffic, pricing and development of the brand;

- *System-wide sales* - total restaurant sales volume for all Company-owned, franchise and unconsolidated joint venture restaurants, regardless of ownership, to interpret the overall health of our brands;

- *Comparable restaurant sales* - year-over-year comparison of sales volumes for domestic, Company-owned restaurants that are open 18 months or more in order to remove the impact of new restaurant openings in comparing the operations of existing restaurants; and

- *Customer satisfaction scores* - measurement of our customers' experiences in a variety of key attributes.

**BLOOMIN' BRANDS, INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF**
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Results of Operations**

The following tables set forth, for the periods indicated, (i) percentages that items in our Consolidated Statements of Operations and Comprehensive 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, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues | | | | |
| Restaurant sales | 98.9 % | 99.0 % | 99.0 % | 99.1 % |
| Other revenues | 1.1 | 1.0 | 1.0 | 0.9 |
| Total revenues | 100.0 | 100.0 | 100.0 | 100.0 |
| Costs and expenses | | | | |
| Cost of sales (1) | 32.5 | 32.2 | 32.3 | 32.1 |
| Labor and other related (1) | 28.0 | 29.1 | 28.0 | 28.8 |
| Other restaurant operating (1) | 23.8 | 23.8 | 22.3 | 22.6 |
| Depreciation and amortization | 4.0 | 4.0 | 3.8 | 3.9 |
| General and administrative | 7.4 | 7.3 | 7.3 | 6.7 |
| Provision for impaired assets and restaurant closings | 0.5 | 0.4 | 0.4 | 0.2 |
| Income from operations of unconsolidated affiliates | (0.2) | (0.2) | (0.2) | (0.3) |
| Total costs and expenses | 95.0 | 95.7 | 93.2 | 93.3 |
| Income from operations | 5.0 | 4.3 | 6.8 | 6.7 |
| Loss on extinguishment of debt | — | — | (0.1) | — |
| Other (expense) income, net | (*) | 0.1 | (*) | * |
| Interest expense, net | (2.5) | (2.2) | (2.2) | (2.1) |
| Income before provision for income taxes | 2.5 | 2.2 | 4.5 | 4.6 |
| Provision for income taxes | 0.4 | 0.5 | 0.8 | 0.8 |
| Net income | 2.1 | 1.7 | 3.7 | 3.8 |
| Less: net income attributable to noncontrolling interests | 0.3 | 0.2 | 0.4 | 0.3 |
| Net income attributable to Bloomin' Brands, Inc. | 1.8 % | 1.5 % | 3.3 % | 3.5 % |
| | | | | |
| Net income | 2.1 | 1.7 | 3.7 | 3.8 |
| Other comprehensive income: | | | | |
| Foreign currency translation adjustment | (0.7) | 0.4 | (0.2) | 0.4 |
| Comprehensive income | 1.4 | 2.1 | 3.5 | 4.2 |
| Less: comprehensive income attributable to noncontrolling interests | 0.3 | 0.2 | 0.4 | 0.3 |
| Comprehensive income attributable to Bloomin' Brands, Inc. | 1.1 % | 1.9 % | 3.1 % | 3.9 % |

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(1) As a percentage of Restaurant sales.
* Less than 1/10th of one percent of Total revenues.

**BLOOMIN' BRANDS, INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF**
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The table below presents the number of our restaurants in operation at the end of the periods indicated:

| | JUNE 30, | |
|---|---|---|
| | 2012 | 2011 |
| Number of restaurants (at end of the period): | | |
| Outback Steakhouse | | |
| Company-owned - domestic | 669 | 670 |
| Company-owned - international | 113 | 120 |
| Franchised - domestic | 106 | 107 |
| Franchised and development joint venture - international | 83 | 68 |
| Total | 971 | 965 |
| Carrabba's Italian Grill | | |
| Company-owned | 230 | 231 |
| Franchised | 1 | 1 |
| Total | 231 | 232 |
| Bonefish Grill | | |
| Company-owned | 155 | 145 |
| Franchised | 7 | 7 |
| Total | 162 | 152 |
| Fleming's Prime Steakhouse and Wine Bar | | |
| Company-owned | 64 | 64 |
| Roy's | | |
| Company-owned | 22 | 22 |
| System-wide total | 1,450 | 1,435 |

We operate restaurants under brands that have similar economic characteristics, nature of products and services, class of customer and distribution methods, and as a result, aggregate our operating segments into a single reporting segment.

## SYSTEM-WIDE SALES

System-wide sales increased 3.1% and 4.8% for the three and six months ended June 30, 2012 as compared with the corresponding periods in 2011. 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. System-wide sales comprises sales of Company-owned restaurants and sales of franchised and unconsolidated joint venture restaurants. The table below presents the first component of system-wide sales, which is sales of Company-owned restaurants:

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **COMPANY-OWNED RESTAURANT SALES (in millions):** | | | | |
| Outback Steakhouse | | | | |
| Domestic | $ 526 | $ 514 | $ 1,086 | $ 1,046 |
| International | 65 | 70 | 148 | 153 |
| Total | 591 | 584 | 1,234 | 1,199 |
| Carrabba's Italian Grill | 173 | 172 | 360 | 352 |
| Bonefish Grill | 124 | 113 | 251 | 227 |
| Fleming's Prime Steakhouse and Wine Bar | 61 | 57 | 128 | 120 |
| Other | 21 | 20 | 42 | 41 |
| Total Company-owned restaurant sales | $ 970 | $ 946 | $ 2,015 | $ 1,939 |

**BLOOMIN' BRANDS, INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF**
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following information presents the second component of system-wide sales, which is sales of franchised and unconsolidated joint venture restaurants. These are restaurants that are not consolidated and from which we only receive a franchise royalty or a portion of their total income. Management believes that franchise and unconsolidated joint venture sales information is useful in analyzing our revenues because franchisees and affiliates pay royalties and/or service fees that generally are based on a percentage 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.

The following do not represent our sales and are presented only as an indicator of changes in the restaurant system, which management believes is important information regarding the health of our restaurant concepts.

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **FRANCHISE AND UNCONSOLIDATED JOINT VENTURE SALES (in millions) (1):** | | | | |
| Outback Steakhouse | | | | |
| Domestic | $ 78 | $ 77 | $ 160 | $ 157 |
| International | 86 | 76 | 173 | 145 |
| Total | 164 | 153 | 333 | 302 |
| Carrabba's Italian Grill | 1 | 1 | 2 | 2 |
| Bonefish Grill | 4 | 5 | 9 | 9 |
| Total franchise and unconsolidated joint venture sales (1) | $ 169 | $ 159 | $ 344 | $ 313 |
| Income from franchise and unconsolidated joint ventures (2) | $ 10 | $ 9 | $ 21 | $ 19 |

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(1) Franchise and unconsolidated joint venture sales are not included in revenues in the Consolidated Statements of Operations and Comprehensive Income.

(2) Represents the franchise royalty and the portion of total income related to restaurant operations included in the Consolidated Statements of Operations and Comprehensive Income in the line items "Other revenues" and " Income from operations of unconsolidated affiliates ," respectively.

## REVENUES

### *Restaurant sales*

| | THREE MONTHS ENDED JUNE 30, | | | | SIX MONTHS ENDED JUNE 30, | | | |
|---|---|---|---|---|---|---|---|---|
| **(dollars in millions):** | **2012** | **2011** | **$ Change** | **% Change** | **2012** | **2011** | **$ Change** | **% Change** |
| Restaurant sales | $ 970.0 | $ 946.0 | $ 24.0 | 2.5% | $ 2,015.5 | $ 1,939.1 | $ 76.4 | 3.9% |

The increase in restaurant sales in the three months ended June 30, 2012 as compared to the same period in 2011 was primarily attributable to (i) a $22.1 million increase in comparable restaurant sales at our existing restaurants (including a 2.4% combined comparable restaurant sales increase in the second quarter of 2012 at our core domestic concepts) which was primarily due to increases in customer traffic and general menu prices and (ii) a $10.5 million increase in sales from fifteen restaurants not included in our comparable restaurant sales base. The increase in customer traffic was primarily a result of promotions throughout our concepts, innovations in our menu, service and operations, weekend lunch expansions in our Outback Steakhouse and Carrabba's Italian Grill concepts and renovations at additional Outback Steakhouse locations. The increase in restaurant sales in the three months ended June 30, 2012 as compared to the same period in 2011 was partially offset by a $6.5 million decrease from the sale (and franchise conversion) of nine of our Company-owned Outback Steakhouse restaurants in Japan in October 2011 and a $2.1 million decrease from the closing of four restaurants since June 30, 2011.

The increase in restaurant sales in the six months ended June 30, 2012 as compared to the same period in 2011 was primarily attributable to (i) a $76.3 million increase in comparable restaurant sales at our existing restaurants (including a 3.8% combined comparable restaurant sales increase in the first half of 2012 at our core domestic concepts) which was primarily due to increases in customer traffic and general menu prices and (ii) a $17.4 million increase in sales from sixteen restaurants not included in our comparable restaurant sales base. The increase in customer traffic was primarily a result of promotions throughout our concepts, innovations in our menu, service and operations, mild winter weather conditions, the additional day in February due to Leap Year, weekend lunch expansions in our Outback Steakhouse and Carrabba's Italian Grill concepts and renovations at additional Outback Steakhouse locations. The increase in restaurant sales in the six months ended June 30, 2012 as compared to the same period in 2011 was partially offset by a $12.4 million decrease from the sale (and franchise conversion) of nine of our Company-owned Outback Steakhouse restaurants in Japan in October 2011 and a $4.9 million decrease from the closing of four restaurants since June 30, 2011.

The following table includes additional information about changes in restaurant sales at domestic Company-owned restaurants for our core brands:

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Average restaurant unit volumes (weekly): | | | | |
| Outback Steakhouse | $ 60,556 | $ 59,088 | $ 62,480 | $ 60,429 |
| Carrabba's Italian Grill | $ 57,979 | $ 57,033 | $ 60,245 | $ 58,720 |
| Bonefish Grill | $ 62,417 | $ 60,031 | $ 63,634 | $ 60,501 |
| Fleming's Prime Steakhouse and Wine Bar | $ 73,136 | $ 68,362 | $ 76,824 | $ 72,742 |
| Operating weeks: | | | | |
| Outback Steakhouse | 8,697 | 8,710 | 17,394 | 17,324 |
| Carrabba's Italian Grill | 2,990 | 3,011 | 5,981 | 5,994 |
| Bonefish Grill | 1,985 | 1,885 | 3,943 | 3,749 |
| Fleming's Prime Steakhouse and Wine Bar | 832 | 832 | 1,664 | 1,655 |
| Year over year percentage change: | | | | |
| Menu price increases: (1) | | | | |
| Outback Steakhouse | 2.1% | 1.5% | 2.1% | 1.6% |
| Carrabba's Italian Grill | 2.0% | 1.8% | 2.2% | 1.5% |
| Bonefish Grill | 2.2% | 1.8% | 2.5% | 1.4% |
| Fleming's Prime Steakhouse and Wine Bar | 2.2% | 2.8% | 2.3% | 2.4% |
| Comparable restaurant sales (stores open 18 months or more): | | | | |
| Outback Steakhouse | 2.3% | 1.8% | 3.8% | 3.1% |
| Carrabba's Italian Grill | 1.5% | 4.8% | 2.9% | 4.4% |
| Bonefish Grill | 2.1% | 10.2% | 4.2% | 9.8% |
| Fleming's Prime Steakhouse and Wine Bar | 6.8% | 9.9% | 6.1% | 10.7% |
| Combined (concepts above) | 2.4% | 4.0% | 3.8% | 4.7% |

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(1) The stated menu price changes exclude the impact of product mix shifts to new menu offerings.

**BLOOMIN' BRANDS, INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF**
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

## COSTS AND EXPENSES

### *Cost of sales*

| | THREE MONTHS ENDED JUNE 30, | | | SIX MONTHS ENDED JUNE 30, | | |
|---|---|---|---|---|---|---|
| **(dollars in millions):** | **2012** | **2011** | **Change** | **2012** | **2011** | **Change** |
| Cost of sales | $ 315.5 | $ 305.0 | | $ 651.3 | $ 622.8 | |
| % of Restaurant sales | 32.5% | 32.2% | 0.3% | 32.3% | 32.1% | 0.2% |

Cost of sales, consisting of food and beverage costs, increased as a percentage of restaurant sales in the three months ended June 30, 2012 as compared to the same period in 2011. The increase as a percentage of restaurant sales was primarily 1.5% from increases in beef, seafood, and other commodity costs and 0.4% from changes in our liquor, beer and wine mix and product mix. The increase was partially offset by decreases as a percentage of restaurant sales of 0.9% from the impact of certain cost savings initiatives and 0.6% from menu price increases.

The increase as a percentage of restaurant sales in the six months ended June 30, 2012 as compared to the same period in 2011 was primarily 1.4% from increases in beef, seafood, and other commodity costs and 0.5% from changes in our liquor, beer and wine mix and product mix. The increase was partially offset by decreases as a percentage of restaurant sales of 0.9% from the impact of certain cost savings initiatives and 0.6% from menu price increases.

### *Labor and other related expenses*

| | THREE MONTHS ENDED JUNE 30, | | | SIX MONTHS ENDED JUNE 30, | | |
|---|---|---|---|---|---|---|
| **(dollars in millions):** | **2012** | **2011** | **Change** | **2012** | **2011** | **Change** |
| Labor and other related | $ 271.4 | $ 275.3 | | $ 564.9 | $ 558.1 | |
| % of Restaurant sales | 28.0% | 29.1% | (1.1)% | 28.0% | 28.8% | (0.8)% |

Labor and other related expenses include all direct and indirect labor costs incurred in operations, including distribution expense to managing partners, costs related to the Partner Equity Plan ("PEP") and Partner Ownership Account ("POA"), and other incentive compensation expenses. Labor and other related expenses decreased as a percentage of restaurant sales in the three months ended June 30, 2012 as compared to the same period in 2011. The decrease as a percentage of restaurant sales was primarily attributable to the following: (i) 0.6% from higher average unit volumes at our restaurants, (ii) 0.5% from a settlement of an IRS assessment of employment taxes in the second quarter of 2011, (iii) 0.5% from the impact of certain cost savings initiatives and (iv) 0.2% from a decrease in PEP and other deferred compensation participant investment account obligations. The decrease was partially offset by increases as a percentage of restaurant sales of the following: (i) 0.3% from higher kitchen and service labor costs, (ii) 0.2% from higher field management labor and bonus expenses and (iii) 0.2% from increases in health insurance costs.

The decrease as a percentage of restaurant sales in the six months ended June 30, 2012 as compared to the same period in 2011 was primarily due to the following: (i) 0.7% from higher average unit volumes at our restaurants, (ii) 0.5% from the impact of certain cost savings initiatives and (iii) 0.2% from a settlement of an IRS assessment of employment taxes in the second quarter of 2011. The decrease was partially offset by increases as a percentage of restaurant sales of the following: (i) 0.2% from higher kitchen and service labor costs, (ii) 0.2% from higher field management labor, distribution and bonus expenses and (iii) 0.1% from increases in health insurance costs.

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*Other restaurant operating expenses*

| | THREE MONTHS ENDED JUNE 30, | | | SIX MONTHS ENDED JUNE 30, | | |
|---|---|---|---|---|---|---|
| (dollars in millions): | 2012 | 2011 | Change | 2012 | 2011 | Change |
| Other restaurant operating | $ 230.9 | $ 224.7 | | $ 449.8 | $ 438.8 | |
| % of Restaurant sales | 23.8% | 23.8% | —% | 22.3% | 22.6% | (0.3)% |

Other restaurant operating expenses include certain unit-level operating costs such as operating supplies, rent, repairs and maintenance, advertising expenses, utilities, pre-opening costs and other occupancy costs. A substantial portion of these expenses is fixed or indirectly variable. As a percentage of restaurant sales in the three months ended June 30, 2012 as compared to the same period in 2011, other restaurant operating expenses were consistent. Increases as a percentage of restaurant sales during the three-month period were primarily due to the following: (i) 0.5% of higher restaurant occupancy costs as a result of the Sale-Leaseback Transaction, (ii) 0.3% in higher advertising costs and (iii) 0.2% in general liability insurance expense. The increases were offset by decreases as a percentage of restaurant sales primarily attributable to the following: (i) 0.4% from higher average unit volumes at our restaurants, (ii) 0.3% from certain cost savings initiatives and (iii) 0.2% from decreases in restaurant operating supplies expenses.

The decrease as a percentage of restaurant sales in the six months ended June 30, 2012 as compared to the same period in 2011 was primarily due to 0.6% from higher average unit volumes at our restaurants and 0.3% from certain cost savings initiatives. The decrease was partially offset by increases as a percentage of restaurant sales primarily attributable to the following: (i) 0.2% of general liability insurance expense, (ii) 0.2% of higher restaurant occupancy costs as a result of the Sale-Leaseback Transaction and (iii) 0.1% in increased advertising expenses.

*General and administrative*

| | THREE MONTHS ENDED JUNE 30, | | | SIX MONTHS ENDED JUNE 30, | | |
|---|---|---|---|---|---|---|
| (in millions): | 2012 | 2011 | Change | 2012 | 2011 | Change |
| General and administrative | $ 72.2 | $ 69.5 | $ 2.7 | $ 148.2 | $ 131.1 | $ 17.1 |

General and administrative costs increased in the three months ended June 30, 2012 as compared to the same period in 2011 primarily due to the following: (i) $2.9 million of increased general and administrative costs associated with field support, managers-in-training and field compensation and bonus expense, (ii) $1.5 million of additional corporate compensation, payroll taxes and benefits primarily as a result of increasing our resources in consumer insights, research and development, productivity and human resources and (iii) a $1.2 million net decrease in the cash surrender value of life insurance investments. The increase was partially offset by the following: (i) a $1.8 million decrease in bonus expenses, (ii) $0.5 million of deferred gain recognized on the Sale-Leaseback Transaction and (iii) $0.5 million in lower information technology expense.

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General and administrative costs increased in the six months ended June 30, 2012 as compared to the same period in 2011 primarily due to the following: (i) $7.4 million of additional legal and other professional fees mainly resulting from amendment and restatement of a lease between OSI and PRP, (ii) $6.0 million of increased general and administrative costs associated with field support, managers-in-training and field compensation and bonus expense, (iii) $4.1 million of additional corporate compensation, payroll taxes, benefits and business travel expenses primarily as a result of increasing our resources in consumer insights, research and development, productivity and human resources, (iv) a $1.0 million increase in severance expense, (v) $0.9 million of increased corporate occupancy costs primarily as a result of our amended home office lease and (vi) $0.6 million of higher information technology expense.
This increase was partially offset by a $2.1 million decrease in bonus expenses and $0.8 million in certain cost savings initiatives.

*Provision for impaired assets and restaurant closings*

| | THREE MONTHS ENDED JUNE 30, | | | SIX MONTHS ENDED JUNE 30, | | |
|---|---|---|---|---|---|---|
| **(in millions):** | **2012** | **2011** | **Change** | **2012** | **2011** | **Change** |
| Provision for impaired assets and restaurant closings | $ 4.7 | $ 3.7 | $ 1.0 | $ 9.1 | $ 3.9 | $ 5.2 |

Restaurant impairment charges primarily resulted from the carrying value of a restaurant's assets exceeding its estimated fair market value, mainly due to declining future cash flows from lower projected sales at existing locations and locations identified for relocation or renovation. See "Fair Value Measurements" included in "Liquidity and Capital Resources" for additional information.

*Income from operations*

| | THREE MONTHS ENDED JUNE 30, | | | SIX MONTHS ENDED JUNE 30, | | |
|---|---|---|---|---|---|---|
| **(dollars in millions):** | **2012** | **2011** | **Change** | **2012** | **2011** | **Change** |
| Income from operations | $ 48.7 | $ 40.8 | | $ 139.1 | $ 131.4 | |
| % of Total revenues | 5.0% | 4.3% | 0.7% | 6.8% | 6.7% | 0.1% |

Income from operations increased in the three and six months ended June 30, 2012 as compared to the same period in 2011 primarily as a result of increases of 8.0% and 9.4%, respectively, in operating margins at the restaurant level and higher average unit volumes at our restaurants. Operating margins are calculated as restaurant sales after deduction of the main restaurant-level operating costs (comprised of cost of sales, labor and other related costs and other restaurant operating expenses). This increase was partially offset by increased expenses in General and administrative costs and Provision for impaired assets and restaurant closings as discussed above.

*Loss on extinguishment of debt*

During the first quarter of 2012, we recorded a $2.9 million loss related to the extinguishment of the CMBS Loan in connection with the refinancing. See "Credit Facilities and Other Indebtedness" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a further description.

*Provision for income taxes*

| | THREE MONTHS ENDED JUNE 30, | | | SIX MONTHS ENDED JUNE 30, | | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | Change | 2012 | 2011 | Change |
| Effective income tax rate | 16.1% | 20.3% | (4.2)% | 18.4% | 17.0% | 1.4% |

The net decreases in the effective income tax rates in the three and six months ended June 30, 2012 as compared to the same periods in the prior year were primarily due to the benefit of items required to be treated discretely, such as changes in domestic and foreign uncertain tax positions, offsetting the effect of the increase in the projected and actual domestic pretax book income as compared to the prior year.

The effective income tax rates for the three and six months ended June 30, 2012 were lower than the combined federal and state statutory rate of 38.7% primarily due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips and the elimination of noncontrolling interest together being such a large percentage of projected annual pretax income. This was partially offset by an increase in the valuation allowance. The effective income tax rates for the three and six months ended June 30, 2011 were lower than the combined federal and state statutory rate of 38.9% due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips and the foreign rate differential together being such a large percentage of projected annual pretax income. This was partially offset by an increase in the valuation allowance.

**Liquidity and Capital Resources**

During 2011, we experienced a strengthening of trends in consumer traffic and increases in comparable restaurant sales, operating cash flows and operating income. Our comparable restaurant sales and operating income continued to increase during the first half of 2012. However, the restaurant industry continues to be challenged and uncertainty exists as to the sustainability of these favorable trends. We have continued to implement various cost-savings initiatives, including food cost decreases through waste reduction and supply chain and labor efficiency initiatives. We developed new menu items to appeal to value-conscious consumers and used marketing campaigns to promote these items.

As of June 30, 2012, we had approximately $84.4 million in available unused borrowing capacity under OSI's working capital revolving credit facility (after giving effect to undrawn letters of credit of approximately $65.6 million) and $100.0 million in available unused borrowing capacity under OSI's pre-funded revolving credit facility that provides financing for capital expenditures only (see "Credit Facilities and Other Indebtedness" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations").

On July 25, 2012, OSI announced the commencement of a tender offer for all of its outstanding senior notes. On August 13, 2012, OSI accepted for payment $102.2 million, or 41.2%, of the aggregate principal amount of its 10% senior notes using a portion of the net proceeds from our initial public offering. OSI paid $106.8 million for the senior notes tendered, which included $2.9 million of prepayment premium and early tender incentive fees and $1.7 million of accrued interest. Further, on August 13, 2012, the remaining senior notes were called for redemption at 102.5% of the principal amount outstanding plus accrued interest, up to but not including such date of redemption. OSI deposited the full funds for the redemption with the trustee under the indenture governing the senior notes, which was comprised of the rest of our net proceeds from its initial public offering and cash on hand, and the senior notes obligation was satisfied and discharged. The deposited funds will be used to repay in full $145.9 million of remaining outstanding senior notes plus the related prepayment premium of $3.6 million and accrued interest of $3.5 million. As a result of these transactions, we recorded a loss from the extinguishment of debt of $9.0 million in the third quarter of 2012, which included $2.4 million for the write-off of unamortized deferred financing fees that related to the extinguished senior notes.

We believe that expected cash flow from operations, planned borrowing capacity, short-term investments and restricted cash balances are adequate to fund normal debt service requirements, operating lease obligations, capital expenditures and working capital obligations for the next twelve months. However, our ability to continue to meet these requirements and obligations will depend on, among other things, our ability to achieve anticipated levels of revenue and cash flow and our ability to manage costs and working capital successfully. At June 30, 2012, we were in compliance with our covenants.

SUMMARY OF CASH FLOWS

We require capital primarily for principal and interest payments on our debt, prepayment requirements under our term loan facility (see "Credit Facilities and Other Indebtedness" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations"), obligations related to our deferred compensation plans, the development of new restaurants, remodeling older restaurants, investments in technology and acquisitions of franchisees and joint venture partners.

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

| | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|
| | 2012 | 2011 |
| Net cash provided by operating activities | $ 57,704 | $ 101,747 |
| Net cash provided by (used in) investing activities | 95,004 | (71,541) |
| Net cash used in financing activities | (354,987) | (117,427) |
| Effect of exchange rate changes on cash and cash equivalents | 149 | 2,062 |
| Net decrease in cash and cash equivalents | $ (202,130) | $ (85,159) |

*Operating activities*

Net cash provided by operating activities decreased in the six months ended June 30, 2012 as compared to the same period in 2011 primarily as a result of decreases in the changes in accounts payable and accrued expenses mainly due to timing of trade payable and payroll payments and the acceleration of payments prior to the end of 2010 and an increase in gift card redemptions in the first half of 2012 as compared to the first half of 2011. The decrease in net cash provided by operating activities was partially offset by an increase in cash generated from restaurant operations due to increases in comparable restaurant sales and a decrease in the change in other current assets primarily due to timing of collections of holiday gift card sales from third-party vendors.

*Investing activities*

Net cash provided by investing activities during the six months ended June 30, 2012 consisted primarily of proceeds from the Sale-Leaseback Transaction of $192.9 million and was offset by capital expenditures of $79.7 million and the $19.4 million net difference in restricted cash for capital expenditures, property taxes and certain deferred compensation plans. Net cash used in investing activities during the six months ended June 30, 2011 consisted primarily of capital expenditures of $49.2 million and the $24.8 million net difference in restricted cash for capital expenditures, property taxes and certain deferred compensation plans.

We estimate that our capital expenditures will total between approximately $200.0 million and $220.0 million in 2012. The amount of actual capital expenditures may be affected by general economic, financial, competitive, legislative and regulatory factors, among other things, including restrictions imposed by our borrowing arrangements. We expect to continue to review the level of capital expenditures throughout 2012.

*Financing activities*

Net cash used in financing activities during the six months ended June 30, 2012 was primarily attributable to the following: (i) extinguishment of debt of $777.6 million, (ii) repayments of long-term debt and borrowings on revolving credit facilities of $45.2 million, (iii) repayments of partner deposits and accrued partner obligations of $15.3 million and (iv) distributions to noncontrolling interests of $8.4 million. This was partially offset by proceeds from the issuance of long-term debt of $495.2 million. Net cash used in financing activities during the six months ended June 30, 2011 was primarily attributable to the following: (i) repayments of long-term debt and borrowings on revolving credit facilities of $87.7 million, (ii) repayments of partner deposits and accrued partner obligations of $21.2 million and (iii) distributions to noncontrolling interests of $7.6 million.

## FINANCIAL CONDITION

Current assets decreased to $492.8 million at June 30, 2012 as compared with $708.3 million at December 31, 2011. This decrease was primarily due to a $197.9 million net decrease in Cash and cash equivalents (see "Summary of Cash Flows" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations") and the Current portion of restricted cash and a $18.6 million decrease in Other current assets primarily due to a decrease in third-party gift card receivables as a result of seasonality in gift card sales.

Current liabilities decreased to $540.0 million at June 30, 2012 as compared with $956.4 million at December 31, 2011 primarily due to the following: (i) a $306.3 million decrease in the Current portion of long-term debt (see "Credit Facilities and Other Indebtedness" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations"), (ii) a $106.1 million decrease in Unearned revenue as a result of the seasonal pattern of gift card and promotional sales and redemptions and (iii) a $35.2 million decrease in Accrued and other current liabilities mainly from a decrease in accrued payroll and other compensation for the 2011 related compensation paid in March 2012. This decrease was partially offset by a $24.5 million reclassification of guaranteed debt from long-term to current based on the April 2013 maturity of the uncollateralized line of credit of RY-8, our joint venture partner, that OSI guarantees.

Working capital (deficit) totaled ($47.2) million and ($248.1) million at June 30, 2012 and December 31, 2011, respectively, and included Unearned revenue from unredeemed gift cards of $193.5 million and $299.6 million at June 30, 2012 and December 31, 2011, respectively. We have, and in the future may continue to have, negative working capital balances (as is common for many restaurant companies). We operate successfully with negative working capital because cash collected on restaurant sales is typically received before payment is due on our current liabilities and our inventory turnover rates require relatively low investment in inventories. Additionally, ongoing cash flows from restaurant operations and gift card sales are used to service debt obligations and for capital expenditures.

## TRANSACTIONS

Effective March 14, 2012, we entered into the Sale-Leaseback Transaction with two third-party real estate institutional investors in which we sold 67 restaurant properties at fair market value for net proceeds of $192.9 million. We then simultaneously leased these properties back under nine master leases (collectively, the "REIT Master Leases"). The initial term of the REIT Master Leases are 20 years with four five-year renewal options. One renewal period is at a fixed rental amount and the last three renewal periods are generally based at then-current fair market values. The sale at fair market value and subsequent leaseback qualified for sale-leaseback accounting treatment, and the REIT Master Leases are classified as operating leases. We deferred the recognition of the $42.9 million gain on the sale of certain of the properties primarily in the line item "Other long-term liabilities, net" in our Consolidated Balance Sheet as of March 31, 2012, which is amortized over the initial term of the lease. In accordance with the applicable accounting guidance, the 67 restaurant properties were not classified as held for sale at December 31, 2011 since we leased back the properties.

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On May 10, 2012, we entered into a first amendment to our management agreement with the Management Company, whose members are entities associated with Bain Capital and Catterton and the Founders. In accordance with the terms of this amendment, the management agreement terminated immediately prior to the completion of our initial public offering, and a termination fee of $8.0 million was paid to the Management Company in the third quarter of 2012, in addition to a pro-rated periodic fee.

On May 10, 2012, the retention bonus and the incentive bonus agreements with our CEO were amended. In accordance with the terms of this amendment to the bonus agreements, the remaining payments under each agreement were accelerated to a single lump sum payment of $22.4 million as a result of the completion of our initial public offering and was paid in the third quarter of 2012. We recorded $18.1 million for the accelerated bonus expense in the line item "General and administrative" in our Consolidated Statement of Operations and Comprehensive Income for the three months ended September 30, 2012.

Upon completion of our initial public offering, we recorded approximately $16.0 million of aggregate non-cash compensation expense with respect to (i) certain stock options held by our CEO that become exercisable (to the extent then vested) if following the offering, the volume-weighted average trading price of our common stock is equal to or greater than specified performance targets over a six-month period and (ii) the time vested portion of stock options containing a management call option due to the automatic termination of the call option upon completion of the offering. Additionally, we expect to record an additional $19.7 million in stock-based compensation expense through 2017 related to the portion of these same stock options that will continue to vest following the offering. These amounts are only for the stock options described in (i) and (ii) above and are in addition to stock-based compensation expense we will recognize related to other outstanding equity awards and other equity awards that may be granted in the future. See "—Critical Accounting Policies and Estimates—Stock-Based Compensation" in our Registration Statement for a further description of the call option.

## CREDIT FACILITIES AND OTHER INDEBTEDNESS

We are a holding company and conduct our operations through our subsidiaries, certain of which have incurred their own indebtedness as described below.

On June 14, 2007, OSI entered into senior secured credit facilities with a syndicate of institutional lenders and financial institutions. These senior secured credit facilities provide for senior secured financing of up to $1.6 billion, consisting of a $1.3 billion term loan facility, a $150.0 million working capital revolving credit facility, including letter of credit and swing-line loan sub-facilities, and a $100.0 million pre-funded revolving credit facility that provides financing for capital expenditures only.

The senior secured term loan facility matures June 14, 2014. At each rate adjustment, OSI has the option to select a Base Rate plus 125 basis points or a Eurocurrency Rate plus 225 basis points for the borrowings under this facility. The Base Rate option is the higher of the prime rate of Deutsche Bank AG New York Branch and the federal funds effective rate plus 0.5 of 1.0% (3.25% at June 30, 2012 and December 31, 2011). The Eurocurrency Rate option is the 30, 60, 90 or 180-day Eurocurrency Rate (ranging from 0.31% to 0.81% and from 0.38% to 0.88% at June 30, 2012 and December 31, 2011, respectively). The Eurocurrency Rate may have a nine- or twelve-month interest period if agreed upon by the applicable lenders. With either the Base Rate or the Eurocurrency Rate, the interest rate is reduced by 25 basis points if the associated Moody's Applicable Corporate Rating then most recently published is B1 or higher (the rating was Caa1 at June 30, 2012 and December 31, 2011).

OSI is required to prepay outstanding term loans, subject to certain exceptions, with:

- 50% of its “annual excess cash flow” (with step-downs to 25% and 0% based upon its rent-adjusted leverage ratio), as defined in the credit agreement and subject to certain exceptions;
- 100% of its “annual minimum free cash flow,” as defined in the credit agreement, not to exceed $75.0 million for each fiscal year, if its rent-adjusted leverage ratio exceeds a certain minimum threshold;
- 100% of the net proceeds of certain assets sales and insurance and condemnation events, subject to reinvestment rights and certain other exceptions; and
- 100% of the net proceeds of any debt incurred, excluding permitted debt issuances.

Additionally, OSI is required, on an annual basis, to first, repay outstanding loans under the pre-funded revolving credit facility and second, fund a capital expenditure account to the extent amounts on deposit are less than $100.0 million, in both cases with 100% of its “annual true cash flow,” as defined in the credit agreement. In accordance with these requirements, OSI repaid its pre-funded revolving credit facility outstanding loan balance of $33.0 million and funded $37.6 million to its capital expenditure account using its “annual true cash flow” in April 2012.

OSI's senior secured credit facilities require scheduled quarterly payments on the term loans equal to 0.25% of the original principal amount of the term loans for the first six years and three quarters following June 14, 2007. These payments are reduced by the application of any prepayments, and any remaining balance will be paid at maturity. The outstanding balance on the term loans was $1.0 billion at June 30, 2012 and December 31, 2011. OSI classified $13.1 million of its term loans as current at June 30, 2012 and December 31, 2011 due to its required quarterly payments and the results of its projected and actual covenant calculations, which indicate the additional term loan prepayments, as described above, will not be required. The amount of outstanding term loans required to be prepaid in accordance with OSI's debt covenants may vary based on year-end results.

Proceeds of loans and letters of credit under OSI's $150.0 million working capital revolving credit facility provide financing for working capital and general corporate purposes and, subject to a rent-adjusted leverage condition, for capital expenditures for new restaurant growth. This revolving credit facility matures June 14, 2013 and bears interest at rates ranging from 100 to 150 basis points over the Base Rate or 200 to 250 basis points over the Eurocurrency Rate. There were no loans outstanding under the revolving credit facility at June 30, 2012 and December 31, 2011; however, $65.6 million and $67.6 million, respectively, of the credit facility was committed for the issuance of letters of credit and not available for borrowing. OSI may have to extend additional letters of credit in the future. If the need for letters of credit exceeds the $75.0 million maximum permitted by OSI's working capital revolving credit facility, OSI may have to use cash to fulfill its collateral requirements.

Proceeds of loans under OSI's $100.0 million pre-funded revolving credit facility, which expires on June 14, 2013, are available to provide financing for capital expenditures, if the capital expenditure account described above has a zero balance. There were no loans outstanding under OSI's pre-funded revolving credit facility as of June 30, 2012 and $33.0 million was outstanding under this facility as of December 31, 2011. This borrowing was recorded in “Current portion of long-term debt” in our Consolidated Balance Sheet, as OSI is required to repay any outstanding borrowings in April following each fiscal year using its “annual true cash flow,” as defined in the credit agreement. In August 2012, OSI borrowed $25.0 million from its pre-funded revolving credit facility.

At June 30, 2012 and December 31, 2011, OSI was in compliance with its debt covenants. See our audited financial statements and notes thereto for the year ended December 31, 2011 included in our Registration Statement for further information about OSI's debt covenant requirements.

In March 2012, we refinanced the debt at PRP. Until that time, PRP had first mortgage and mezzanine notes (together, the commercial mortgage-backed securities loan, or the “CMBS Loan”) totaling $790.0 million, which were entered into on June 14, 2007. As part of the CMBS Loan, German American Capital Corporation and Bank of America, N.A. et al (the “Lenders”) had a security interest in the acquired real estate and related improvements, and direct and indirect

equity interests of certain of our subsidiaries. The CMBS Loan comprised a note payable and four mezzanine notes. All notes bore interest at the one-month LIBOR which was 0.28% at December 31, 2011, plus an applicable spread which ranged from 0.51% to 4.25%. Interest-only payments were made on the ninth calendar day of each month and interest accrued beginning on the fifteenth calendar day of the preceding month.

Effective March 27, 2012, New PRP entered into a new commercial mortgage-backed securities loan (the "2012 CMBS Loan") with German American Capital Corporation and Bank of America, N.A. The 2012 CMBS Loan totaled $500.0 million at origination and was comprised of a first mortgage loan in the amount of $324.8 million, collateralized by 261 of our properties, and two mezzanine loans totaling $175.2 million. The loans have a maturity date of April 10, 2017. The first mortgage loan has five fixed rate components and a floating rate component. The fixed rate components bear interest at rates ranging from 2.37% to 6.81% per annum. The floating rate component bears interest at a rate per annum equal to the 30-day LIBOR rate (with a floor of 1%) plus 2.37%. The first mezzanine loan bears interest at a rate of 9.0% per annum, and the second mezzanine loan bears interest at a rate of 11.25% per annum. The proceeds from the 2012 CMBS Loan, together with the proceeds from the Sale-Leaseback Transaction and excess cash held in PRP, were used to repay PRP's existing CMBS Loan. As a result of the 2012 CMBS Loan refinancing, the net amount repaid along with scheduled maturities within one year, $281.3 million was classified as current at December 31, 2011. During the first quarter of 2012, we recorded a $2.9 million loss related to the extinguishment in the line item, "Loss on extinguishment of debt" in our Consolidated Statement of Operations and Comprehensive Income. We deferred $7.6 million of financing costs incurred to complete this transaction of which $2.2 million had been capitalized as of December 31, 2011 and the remainder was capitalized in the first quarter of 2012. These deferred financing costs are included in the line item, "Other assets, net" in our Consolidated Balance Sheets. At June 30, 2012, the outstanding balance, excluding the debt discount, on the 2012 CMBS Loan was $498.5 million.

Historically, we used an interest rate cap with a notional amount of $775.7 million as a method to limit the volatility of PRP's variable-rate CMBS Loan. During the first quarter of 2012, this interest rate cap was terminated. In connection with the 2012 CMBS Loan refinancing, New PRP entered into a replacement interest rate cap instrument ("Rate Cap") effective March 27, 2012 with a notional amount of $48.7 million as a method to limit the volatility of the floating rate component of the first mortgage loan. Under the Rate Cap, if the 30-day LIBOR market rate exceeds 7.0% per annum, the counterparty must pay to New PRP such excess on the notional amount of the floating rate component. Should it be necessary, New PRP would record any mark-to-market changes in the fair value of its derivative instrument into earnings in the period of change. The Rate Cap has a term of approximately 2 years from the closing of the 2012 CMBS Loan. Upon the expiration or termination of the Rate Cap or the downgrade of the credit ratings of the counterparty under the Rate Cap's specified thresholds, New PRP is required to replace the Rate Cap with a replacement interest rate cap in a notional amount equal to the outstanding principal balance (if any) of the floating rate component.

On June 14, 2007, OSI issued senior notes in an original aggregate principal amount of $550.0 million under an indenture among OSI, as issuer, OSI Co-Issuer, Inc., as co-issuer ("Co-Issuer"), a third-party trustee and each of OSI's current and future domestic 100% owned restricted subsidiaries in its Outback Steakhouse and Carrabba's Italian Grill concepts and certain non-restaurant subsidiaries (the "Guarantors"). The senior notes mature on June 15, 2015. Interest is payable semiannually in arrears, at 10% per annum, in cash on each June 15 and December 15. Interest payments to the holders of record of the senior notes occur on the immediately preceding June 1 and December 1. Interest is computed on the basis of a 360-day year consisting of twelve 30-day months. The principal balance of senior notes outstanding at June 30, 2012 and December 31, 2011 was $248.1 million.

On July 25, 2012, OSI announced the commencement of a tender offer for all of its outstanding senior notes, and on August 13, 2012, the remaining senior notes not tendered were called for redemption at 102.5% of the principal amount outstanding plus accrued interest, up to but not including such date of redemption (see "Liquidity and Capital Resources" introduction included in "Management's Discussion and Analysis of Financial Condition and Results of Operations").

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## GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

During the second quarter of 2012, we performed our annual assessment for impairment of goodwill and other indefinite-lived intangible assets. Our review of the recoverability of goodwill was based primarily upon an analysis of the discounted cash flows of the related reporting units as compared to the carrying values. We also used the discounted cash flow method to determine the fair value of our indefinite-lived intangible assets. We did not record any goodwill or indefinite-lived intangible asset impairment charges as a result of this assessment and determined that none of our reporting units are at risk for material goodwill impairment.

## FAIR VALUE MEASUREMENTS

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date (exit price) and is a market-based measurement, not an entity-specific measurement. To measure fair value, we incorporate assumptions that market participants would use in pricing the asset or liability, and utilize market data to the maximum extent possible. Measurement of fair value incorporates nonperformance risk (i.e., the risk that an obligation will not be fulfilled). In measuring fair value, we reflect the impact of our own credit risk on our liabilities, as well as any collateral. We also consider the credit standing of our counterparties in measuring the fair value of our assets.

At December 31, 2011, we were highly leveraged and exposed to interest rate risk to the extent of our variable-rate debt. We used an interest rate cap with a notional amount of $775.7 million as a method to limit the volatility of PRP's variable-rate CMBS Loan. During the first quarter of 2012, this interest rate cap was terminated. In connection with the 2012 CMBS Loan refinancing that was effective in March 2012, a Rate Cap with a notional amount of $48.7 million was entered into for similar purposes (see "Credit Facilities and Other Indebtedness" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations"). The interest rate caps did not have any fair market value at June 30, 2012 and December 31, 2011.

We invested $23.3 million and $37.7 million, respectively, of our excess cash in money market funds classified as Cash and cash equivalents or restricted cash in our Consolidated Balance Sheets at June 30, 2012 and December 31, 2011 at a net value of 1:1 for each dollar invested. The fair value of the investment in the money market funds is determined by using quoted prices for identical assets in an active market. As a result, we have determined that the inputs used to value this investment fall within Level 1 of the fair value hierarchy.

We recorded $4.7 million and $9.1 million of impairment charges during the three and six months ended June 30, 2012, respectively, as a result of fair value measurement on a nonrecurring basis primarily related to certain specifically identified restaurant locations with individual store under-performance or having been designated for relocation or renovation. At the time of the impairment recognized in the second quarter of 2012, the impaired long-lived assets had $2.1 million of remaining fair value. As of June 30, 2012, there was $2.9 million of remaining fair value associated with long-lived assets for which asset impairment losses were recognized during the six months ended June 30, 2012. Impairment losses for long-lived assets held and used were recognized in the line item "Provision for impaired assets and restaurant closings" in our Consolidated Statements of Operations and Comprehensive Income.

We used a third-party market appraisal for the fair value of the assets included in Level 2 and an internal market analysis or discounted cash flow model to estimate the fair value of the long-lived assets included in Level 3. Discount rate and growth rate assumptions are derived from current economic conditions, expectations of management and projected trends of current operating results. As a result, we have determined that the majority of the inputs used to value our long-lived assets held and used are unobservable inputs that fall within Level 3 of the fair value hierarchy.

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The following table presents quantitative information related to the unobservable inputs used in our Level 3 fair value measurements for the impairment loss incurred in the six months ended June 30, 2012:

| UNOBSERVABLE INPUT | RANGE |
|---|---|
| Weighted-average costs of capital (1) | 10.4% - 11.2% |
| Long-term growth rate | 3.0% |
| Annual revenue growth rates (2) | (8.7)% - 4.3% |

(1) Weighted average of the costs of capital unobservable input range for the six months ended June 30, 2012 was 10.9%.
(2) Weighted average of the annual revenue growth rate unobservable input range for the six months ended June 30, 2012 was 2.6%.

We did not have any material impairment charges as a result of fair value measurements on a nonrecurring basis during the three and six months ended June 30, 2011.

Sales declines at our restaurants, unplanned increases in health insurance, commodity or labor costs, deterioration in overall economic conditions and challenges in the restaurant industry may result in future impairment charges. It is possible that changes in circumstances or changes in our judgments, assumptions and estimates, could result in a future impairment charge of a portion or all of our goodwill, other intangible assets or long-lived assets held and used.

STOCK-BASED AND DEFERRED COMPENSATION PLANS

*Managing and Chef Partners*

Historically, the managing partner of each Company-owned domestic restaurant and the chef partner of each Fleming's and Roy's restaurant were required, as a condition of employment, to sign a five-year employment agreement and to purchase a non-transferable ownership interest in a partnership ("Management Partnership") that provided management and supervisory services to his or her restaurant. The purchase price for a managing partner's ownership interest was fixed at $25,000, and the purchase price for a chef partner's ownership interest ranged from $10,000 to $15,000. Managing and chef partners had the right to receive monthly distributions from the Management Partnership based on a percentage of their restaurant's monthly cash flows for the duration of the agreement, which varied by concept from 6% to 10% for managing partners and 2% to 5% for chef partners. Further, managing and chef partners were eligible to participate in the PEP, a deferred compensation program, upon completion of their five-year employment agreement.

In April 2011, we implemented modifications to our managing and chef partner compensation structure to provide greater incentives for sales and profit growth. Under the revised program, managing and chef partners continue to sign five-year employment agreements and receive monthly distributions of the same percentage of their restaurant's cash flow as under the prior program. However, under the revised program, in lieu of participation in the PEP, managing partners and chef partners are eligible to receive deferred compensation payments under a new Partner Ownership Account Plan (the "POA"). The POA places greater emphasis on year-over-year growth in cash flow than the PEP. Managing and chef partners will receive a greater value under the POA than they would have received under the PEP if certain levels of year-over-year cash flow growth are achieved and a lesser value than under the PEP if these levels are not achieved. As of June 30, 2012 and December 31, 2011, our POA liability was $11.9 million and $8.0 million, respectively, which primarily was recorded in the line item "Partner deposits and accrued partner obligations" in our Consolidated Balance Sheets.

Upon the closing of the Merger, certain stock options that had been granted to managing and chef partners under a pre-merger managing partner stock plan (the "MP Stock Plan") upon completion of a previous employment contract were converted into the right to receive cash in the form of a "Supplemental PEP" contribution.

As of June 30, 2012, our total vested liability with respect to obligations primarily under the PEP and Supplemental PEP was approximately $114.2 million, of which $15.8 million and $98.4 million was included in the line items

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"Accrued and other current liabilities" and "Other long-term liabilities, net," respectively, in our Consolidated Balance Sheet. As of December 31, 2011, our total vested liability with respect to obligations primarily under the PEP and Supplemental PEP was approximately $107.8 million, of which $11.8 million and $96.0 million was included in the line items "Accrued and other current liabilities" and "Other long-term liabilities, net," respectively, in our Consolidated Balance Sheet. Partners and management may allocate the contributions into benchmark investment funds, and these amounts due to participants will fluctuate according to the performance of their allocated investments and may differ materially from the initial contribution and current obligation.

As of June 30, 2012 and December 31, 2011, we had approximately $59.1 million and $56.9 million, respectively, in various corporate owned life insurance policies and another $5.2 million and $0.3 million, respectively, of restricted cash, both of which are held within an irrevocable grantor or "rabbi" trust account for settlement of our obligations primarily under the PEP, Supplemental PEP and POA. We are the sole owner of any assets within the rabbi trust and participants are considered our general creditors with respect to assets within the rabbi trust.

As of June 30, 2012 and December 31, 2011, there were $59.0 million and $55.6 million, respectively, of unfunded obligations primarily related to the PEP, Supplemental PEP and POA, excluding amounts not yet contributed to the partners' investment funds, which may require the use of cash resources in the future.

We require the use of capital to fund the PEP and the POA as each managing and chef partner earns a contribution, and currently estimate funding requirements ranging from $15.0 million to $17.0 million for PEP and from $6.0 million to $8.0 million for POA in each of the two years through June 30, 2014. Actual funding of the current PEP and POA obligations and future funding requirements may vary significantly depending on timing of partner contracts, forfeiture rates and numbers of partner participants and may differ materially from estimates.

*Area Operating Partners*

Historically, an area operating partner has been required, as a condition of employment and within 30 days of the opening of his or her first restaurant, to make an initial investment of $50,000 in the Management Partnership that provides supervisory services to the restaurants that the area operating partner oversees. This interest gave the area operating partner the right to distributions from the Management Partnership based on a percentage of his or her restaurants' monthly cash flows for the duration of the agreement, typically ranging from 4% to 9%. We have the option to purchase an area operating partner's interest in the Management Partnership after the restaurant has been open for a five-year period on the terms specified in the agreement.

For restaurants opened between January 1, 2007 and December 31, 2011, the area operating partner's percentage of cash distributions and buyout percentage was calculated based on the associated restaurant's return on investment compared to our targeted return on investment and ranged from 3.0% to 12.0%. This percentage was determined after the first five full calendar quarters from the date of the associated restaurant's opening and was adjusted each quarter thereafter based on a trailing 12-month restaurant return on investment. The buy-out percentage was the area operating partner's average distribution percentage for the 24 months immediately preceding the buy-out. Buyouts were paid in cash within 90 days or paid over a two-year period.

In April 2012, we revised our area operating partner program for restaurants opened on or after January 1, 2012. For these restaurants, an area operating partner is required, as a condition of employment, to make a deposit of $10,000 within 30 days of the opening of each new restaurant that he or she oversees, up to a maximum deposit of $50,000 (taking into account investments in prior programs). This deposit gives the area operating partner the right to monthly payments based on a percentage of his or her restaurants' monthly cash flows for the duration of the employment agreement, typically ranging from 4.0% to 4.5%. After the restaurant has been open for a five-year period, the area operating partner will receive a bonus equal to a multiple of the area operating partner's average monthly payments for the 24 months immediately preceding the bonus date. The bonus will be paid within 90 days or over a two-year period, depending on the bonus amount.

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INCOME TAXES

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in the tax rate is recognized in income in the period that includes the enactment date of the rate change. We recorded a valuation allowance to reduce our deferred income tax assets to the amount that is more likely than not to be realized. We have considered future taxable income and ongoing feasible tax planning strategies in assessing the need for the valuation allowance.

Should we determine that we would be able to realize our remaining deferred income tax assets in the foreseeable future, a release of all, or part, of the related valuation allowance could cause an immediate material increase to income in the period such determination is made. Significant management judgment is required in determining the period in which the reversal of a valuation allowance should occur. We consider all available evidence, both positive and negative, such as historical levels of income and future forecasts of taxable income amongst other items in determining whether a full or partial release of a valuation allowance is required. In addition, our assessments sometimes require us to schedule future taxable income in accordance with the applicable tax accounting guidance to assess the appropriateness of a valuation allowance which further requires the exercise of significant management judgment. Such release of the valuation allowance could occur within the next 12 months upon resolution of the aforementioned uncertainties.

Any release of valuation allowance will be recorded as a tax benefit increasing net income or as an adjustment to paid-in capital. We expect that a significant portion of the release of the valuation allowance will be recorded as an income tax benefit at the time of release, significantly increasing our reported net income. Because we expect our recorded tax rate to increase in subsequent periods following a significant release of the valuation allowance, our net income will be negatively affected in periods following the release. Any valuation allowance release will not affect the amount of cash paid for income taxes.

DIVIDENDS

Payment of dividends by OSI to Bloomin' Brands is restricted under OSI's credit agreement to dividends for the purpose of paying Bloomin' Brands' franchise and income taxes and ordinary course operating expenses (subject to an annual cap of $2.5 million); dividends for certain other limited purposes; and other dividends subject to an aggregate cap over the term of the credit agreement.

Our board of directors does not intend to pay regular dividends on our common stock after our initial public offering. However, we expect to reevaluate our dividend policy on a regular basis following the offering and may, subject to compliance with the covenants contained in OSI's senior credit facility and other considerations, determine to pay dividends in the future.

**Recently Issued Financial Accounting Standards**

In December 2011, the FASB issued ASU No. 2011-10, "Property, Plant, and Equipment (Topic 360): Derecognition of in Substance Real Estate—a Scope Clarification" ("ASU No. 2011-10"), which applies to a parent company that ceases to have a controlling financial interest in a subsidiary, that is in substance real estate, as a result of a default on the subsidiary's nonrecourse debt. The new guidance emphasizes that the parent should only deconsolidate the real estate subsidiary when legal title to the real estate is transferred to the lender and the related nonrecourse debt has been extinguished. If the reporting entity ceases to have a controlling financial interest under subtopic 810-10, the reporting entity would continue to include the real estate, debt, and the results of the subsidiary's operations in its consolidated financial statements until legal title to the real estate is transferred to legally satisfy the debt. This standard takes effect for public companies during the annual and interim periods beginning on or after June 15, 2012. The adoption of this guidance on July 1, 2012 did not have a material impact on our financial statements.

In December 2011, the FASB issued ASU No. 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities," ("ASU No. 2011-11") which enhances current disclosures about financial instruments and derivative instruments that are either offset on the statement of financial position or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the statement of financial position. The guidance requires us to provide both net and gross information for these assets and liabilities. ASU No. 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods with retrospective application required. This guidance will not have an impact on our financial position, results of operations or cash flows as it only requires a presentation change to offsetting (netting) assets and liabilities.

In July 2012, the FASB issued ASU No. 2012-02, "Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment" ("ASU No. 2012-02"), which permits an entity to make a qualitative assessment of whether it is more likely than not that an indefinite-lived intangible asset's fair value is less than its carrying value before applying the two-step quantitative impairment test. If it is determined through the qualitative assessment that an indefinite-lived intangible asset's fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing entities to go directly to the quantitative assessment. ASU No. 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. We will adopt ASU No. 2012-02 effective January 1, 2013. This guidance will not have a material impact on our financial position, results of operations or cash flows.

## 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. We have not experienced a material change in market risk from changes in interest rates on debt, changes in foreign currency exchange rates and changes in commodity prices since December 31, 2011. See "Quantitative and Qualitative Disclosures about Market Risk" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Registration Statement for further information about market risk.

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures that are designed to ensure that information 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 our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2012.

### Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recent quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

BLOOMIN' BRANDS, INC.

## PART II: OTHER INFORMATION

### Item 1A. Risk Factors

In addition to the other information discussed in this report, please consider the factors described in "Risk Factors" in our Registration Statement which could materially affect our business, financial condition or future results. There have not been any significant changes with respect to the risks described in our Registration Statement, but these are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may adversely affect our business, financial condition or operating results.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

**Unregistered Sales of Equity Securities**

During the period April 1, 2012 through June 30, 2012, we granted to certain eligible participants 610,000 stock options to purchase our common stock with a weighted average exercise price of $14.54 under our 2007 Equity Incentive Plan. In addition, we granted to certain eligible participants 260,859 shares of restricted stock under our 2007 Equity Incentive Plan during this period. The stock options and shares of restricted stock were issued without registration in reliance on the exemption afforded by Section 4(2) of the Securities Act of 1933, as a transaction by an issuer not involving a public offering, or Rule 701 promulgated under the Securities Act, as a transaction pursuant to a compensatory benefit plan.

**Use of Proceeds from our Initial Public Offering**

On August 13, 2012, we completed the initial public offering of our common stock pursuant to a Registration Statement (File No. 333-180615), that was declared effective on August 7, 2012. Under the Registration Statement, (i) we issued and sold an aggregate of 13,000,000 shares of our common stock at a price to the public of $11.00 per share for aggregate gross offering proceeds of $143.0 million and (ii) certain of our shareholders sold 3,000,000 shares of our common stock at a price to the public of $11.00 per share for aggregate gross offering proceeds of $33.0 million.

BofA Merrill Lynch, Morgan Stanley, J.P. Morgan, Deutsche Bank Securities and Goldman, Sachs & Co. acted as joint book running managers of the offering. The offering commenced on July 25, 2012 and closed on August 13, 2012.

We received net proceeds in the offering of approximately $130.2 million after deducting underwriting discounts and commissions of approximately $8.6 million on our sale of 13,000,000 shares and $4.2 million of offering related expenses payable by us. We did not receive any proceeds from the sale of shares of common stock by the selling stockholders. As disclosed in the Registration Statement, the net proceeds, together with cash on hand, have been applied to the retirement of OSI's senior notes.

### Item 5. Other Information

On September 4, 2012, we entered into an amended and restated employment agreement with our CEO, Elizabeth A. Smith. The agreement became effective upon execution and extends her employment until August 13, 2017 with one-year automatic renewals thereafter. In accordance with the terms of the amended and restated employment agreement, Ms. Smith's annual base salary increased by $50,000 to $975,000, and she will be eligible for additional equity award grants beginning in 2014. The amended and restated employment agreement also extends the terms of her existing arrangement for reimbursement of up to 50 hours of private airplane use and a related tax gross-up for applicable federal, state and local taxes paid by Ms. Smith in connection therewith. Additionally, certain provisions were eliminated from the amended and restated employment agreement that are not applicable to a company with publicly traded equity.

## Item 6. Exhibits

| Number | Description |
|---|---|
| 3.1 | Second Amended and Restated Certificate of Incorporation of Bloomin' Brands, Inc. (included as an exhibit to Registrant's Form S-8 filed on August 13, 2012 and incorporated herein by reference) |
| 3.2 | Second Amended and Restated Bylaws of Bloomin' Brands, Inc. (included as an exhibit to Registrant's Form S-8 filed on August 13, 2012 and incorporated herein by reference) |
| 10.1* | Amended and Restated Employment Agreement made and entered into September 4, 2012 by and between Elizabeth A. Smith and Bloomin' Brands, Inc. (filed herewith) |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[1] |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[1] |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

* Management contract or compensatory plan or arrangement required to be filed as an exhibit.

[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.

The registrant hereby undertakes to furnish supplementally a copy of any omitted schedule or other attachment to the Securities and Exchange Commission upon request.

**BLOOMIN' BRANDS, INC.**

## 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 by the undersigned, thereunto duly authorized.

Date: September 5, 2012

BLOOMIN' BRANDS, INC.

By: /s/ David J. Deno

David J. Deno
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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**Exhibit 10.01**

Execution Version

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into this 4th day of September, 2012 (the "Effective Date") by and between Elizabeth A. Smith (the " Executive") and Bloomin' Brands, Inc., a Delaware corporation (the "Company").

WHEREAS, the Executive is currently employed by OSI Restaurant Partners, LLC (" OSI") and is a party to that certain Employment Agreement with OSI and Kangaroo Holdings, Inc. (the Company's predecessor), dated November 2, 2009 and amended and restated on December 31, 2009 (the "Existing Agreement").

WHEREAS, the Company and the Executive desire to enter into this Agreement to set forth the amended and restated terms and conditions of the Executive's continued employment with the Company. NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises, terms, provisions and conditions set forth in this Agreement, the parties hereby agree:

1. Employment. Subject to the terms and conditions set forth in this Agreement, the Company hereby offers and the Executive hereby accepts employment.

2. Term. Subject to earlier termination as hereinafter provided, the Executive's employment shall be for an initial term commencing on the Effective Date and expiring on August 13, 2017. Commencing on August 13, 2017 and on each succeeding August 13th thereafter (each such anniversary date shall hereinafter be referred to as the " Renewal Date"), unless previously terminated, the term of this Agreement shall be automatically extended for one additional year, unless at least sixty (60) days prior to any Renewal Date, the Company or the Executive shall give notice to the other party that this Agreement and the Executive's employment hereunder shall not be so extended. The term of this Agreement as from time to time extended or renewed is hereafter referred to as " the term of this Agreement" or "the term hereof."

3. Capacity and Performance.

(a) During the term hereof, the Executive shall serve as Chairman and Chief Executive Officer of the Company. During the term hereof, subject to the requirements of applicable law (including, without limitation, any rules or regulations of any exchange on which the common stock of the Company is listed, if applicable), the Company agrees to propose to the shareholders of the Company at each annual meeting occurring during the term hereof the election or re-election, as applicable, of the Executive as a member of the Board of Directors of the Company (the " Board") and the Executive shall so serve if elected or re-elected; provided, however, that if the Executive's employment with the Company terminates for any reason, Executive's membership on the Board shall also terminate, unless otherwise agreed in writing by the Company and the Executive. In addition, and without further compensation, the Executive shall serve as a director and/or

officer of one or more of the Company's Affiliates if so elected or appointed from time to time. If, the Board, in its reasonable judgment, determines that the position of Chairman of the Board should not be held by the Chief Executive Officer of the Company, the Executive shall cease to be Chairman. In no event shall failure to reappoint the Executive as Chairman of the Board constitute "Good Reason" for purposes of this Agreement.

(b) During the term hereof, the Executive shall be employed by the Company on a full-time basis and shall perform the duties and responsibilities of her position and such other duties and responsibilities on behalf of the Company and its Affiliates, consistent with her position as Chief Executive Officer, as reasonably may be designated from time to time by the Board or by its designees. During the term hereof, the Executive's services shall be performed primarily at the Company's office located in Tampa, Florida, subject to travel requirements in connection with the Executive's duties under this Agreement.

(c) During the term hereof, the Executive shall devote her full business time and efforts to the discharge of her duties and responsibilities hereunder. The Executive shall not engage in any other business activity or serve in any industry, trade, professional, governmental or academic position during the term of this Agreement, except as may be expressly approved in advance by the Board in writing; provided, however, that the Executive may without advance consent participate in charitable activities and personal investment activities, provided that such activities do not, individually or in the aggregate, interfere with the performance of Executive's duties under this Agreement and are not in conflict with the business interests of the Company or its Affiliates or otherwise violative of Sections 7, 8 or 9 of this Agreement. Notwithstanding the foregoing, the restrictions set forth in this paragraph shall not apply to any position held by the Executive and listed on Exhibit A attached hereto.

4. Compensation and Benefits. As compensation for all services performed by the Executive hereunder during the term hereof, and subject to performance of the Executive's duties and of the obligations of the Executive to the Company and its Affiliates, pursuant to this Agreement or otherwise:

(a) Base Salary. During the term of this Agreement, the Company shall pay the Executive an annualized base salary of Nine Hundred and Seventy-Five Thousand Dollars ($975,000), subject to annual review for increase, but not decrease, in the discretion of the Board or the Compensation Committee of the Board (the " Compensation Committee"), payable in accordance with the normal payroll practices of the Company for its executives (" Base Salary").

(b) Annual Bonus Compensation. For each fiscal year completed during the term hereof, the Executive shall be entitled to receive an annual bonus (the "Annual Bonus") on the following terms and conditions. The Annual Bonus shall be determined under, and subject to, the terms of the Company's annual bonus plan or program for its executives generally, as in effect from time to time (the "Bonus Plan"). The Executive's target Annual Bonus ("Target Bonus") shall be equal to one hundred percent (100%) of the Base Salary, with the actual amount of the Annual Bonus, if any, to be based on the

attainment of performance goals and determined by the Board or the Compensation Committee. Any bonus due to the Executive hereunder shall be paid in the time and manner set forth in the Bonus Plan.

(c) Equity-Based Compensation. The Executive holds certain options to purchase common stock of the Company that were granted prior to the Effective Date. Such stock options shall continue to be governed by their respective terms. Beginning in calendar year 2014, the Executive shall be eligible to be considered for the grant of additional equity awards during the term hereof in accordance with applicable guidelines established by the Board or the Compensation Committee from time to time, in the sole discretion of, and in a form and amount determined by, the Board or the Compensation Committee. Any such equity awards shall be subject to the receipt of any required shareholder, Board or Compensation Committee approvals, the terms of the Company's equity incentive plan as then in effect and the award agreement evidencing such award.

(d) Vacations. During the term hereof, the Executive shall be entitled to four (4) weeks of vacation per annum, to be taken at such times and intervals as shall be determined by the Executive, subject to the reasonable business needs of the Company. Vacation shall otherwise be governed by the policies of the Company, as in effect from time to time.

(e) Other Benefits. During the term hereof and subject to any contribution therefor generally required of employees of the Company, the Executive shall be entitled to participate in any and all employee benefit plans from time to time in effect for senior executive officers of the Company, except to the extent such plans are in a category of benefit otherwise provided to the Executive (e.g., a severance pay plan). Such participation shall be subject to (i) the terms of the applicable plan documents, (ii) generally applicable Company policies and (iii) the discretion of the Board or any administrative or other committee provided for in or contemplated by such plan (the "Employee Benefit Plans"). The Company may prospectively alter, modify, add to or terminate its Employee Benefit Plans at any time as it, in its sole judgment, determines to be appropriate, without recourse by the Executive. The Company shall reimburse the Executive for up to fifty (50) hours of private airplane use during each calendar year during the term hereof, subject to such reasonable substantiation and documentation as may be specified by the Board or Company policy from time to time. The Company shall also provide the Executive with a tax gross-up for applicable federal, state and local taxes paid by the Executive in connection with (i) such airplane use or reimbursement with respect to the same and (ii) the tax gross-up payment itself. This gross-up payment shall be paid no later than April 15th of the year following the year to which such taxable income relates.

(f) Business Expenses. The Company shall pay or reimburse the Executive for reasonable, customary and necessary business expenses incurred or paid by the Executive in the performance of her duties and responsibilities hereunder, subject to applicable Company policies and such reasonable substantiation and documentation as may be specified by the Board or Company policy from time to time. Any reimbursement provided for under this Agreement that would constitute nonqualified

deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (" Section 409A"), shall be subject to the following additional rules: (i) no reimbursement of any such expense shall affect the Executive's right to reimbursement of any such expense in any other taxable year; (ii) reimbursement of the expense shall be made, if at all, promptly, but not later than the end of the calendar year following the calendar year in which the expense was incurred; and (iii) the right to reimbursement shall not be subject to liquidation or exchange for any other benefit. The Company shall reimburse the Executive for her reasonable legal fees incurred in respect of the negotiation and preparation of this Agreement, up to a maximum of $16,000, subject to the presentation of appropriate documentation.

5. Termination of Employment and Severance Benefits. The Executive's employment hereunder shall terminate under the following circumstances:

(a) Death. In the event of the Executive's death during the term hereof, the date of death shall be the date of termination, and the Company shall pay or provide to the Executive's Designated Beneficiary: (i) any Base Salary earned but not paid through the date of termination, (ii) subject to the timing rules of Section 4(b) above, any Annual Bonus earned for the fiscal year preceding that in which termination occurs, but unpaid on the date of termination, (iii) any amounts accrued and payable under any Employee Benefit Plan or with respect to airplane use by the Executive that is unreimbursed on the date of termination, each pursuant to Section 4(e) above, provided that, with respect to such reimbursement of airplane use, any required substantiation and documentation are submitted within sixty (60) days following termination, (iv) any tax gross-up payment owed under Section 4(e) above with respect to the period prior to the date of termination that is unpaid on such date, and (v) any business expenses incurred by the Executive but unreimbursed on the date of termination, provided that such expenses and required substantiation and documentation are submitted within sixty (60) days following termination, that such expenses are reimbursable under Company policy, and that any such expenses subject to the penultimate sentence of Section 4(f) shall be paid not later than the deadline specified therein (all of the foregoing, payable subject to the timing limitations described herein, "Final Compensation"). The Company shall also pay to the Executive's Designated Beneficiary a pro-rata Annual Bonus for the year in which such termination of employment occurs, calculated by multiplying the Target Bonus by a fraction, the numerator of which is the number of days the Executive was employed during such year and the denominator of which is 365 (the " Pro-Rata Bonus"). Other than for the Final Compensation and the Pro-Rata Bonus, the Company shall have no further obligation to the Executive hereunder upon a termination due to her death. Other than the tax gross-up payment described in subsection (iv) above, which shall be paid at the time provided in Section 4(e) above, Final Compensation and the Pro-Rata Bonus shall be paid to the Executive's Designated Beneficiary within sixty (60) days following the date of death.

(b) Disability.

(i) The Company may terminate the Executive's employment hereunder, upon notice to the Executive, in the event that the Executive becomes

disabled during her employment hereunder through any illness, injury, accident or condition of either a physical or psychological nature and, as a result, is unable to perform substantially all of her duties and responsibilities hereunder (notwithstanding the provision of any reasonable accommodation) for one hundred eighty (180) days during any period of three hundred and sixty-five (365) consecutive calendar days. A termination on account of disability shall be treated in the same manner as a termination due to the Executive's death, provided that references to Designated Beneficiary shall refer to the Executive or her personal representative, as applicable.

(ii) If any question shall arise as to whether during any period the Executive is disabled through any illness, injury, accident or condition of either a physical or psychological nature so as to be unable to perform substantially all of her duties and responsibilities hereunder, the Executive may, and at the request of the Company shall, submit to a medical examination by a physician selected by the Company and reasonably acceptable to the Executive, to determine whether the Executive is so disabled and such determination shall for the purposes of this Agreement be conclusive. If such question shall arise and the Executive shall fail to submit to such medical examination, the Company's determination of the issue shall be binding on the Executive.

(c) By the Company for Cause. The Company may terminate the Executive's employment hereunder for Cause at any time upon notice to the Executive setting forth in reasonable detail the nature of such Cause. The following shall constitute Cause for termination:

(i) the Executive's willful failure to perform, or gross negligence in the performance of, the Executive's duties and responsibilities to the Company or its Affiliates (other than any such failure from incapacity due to physical or mental illness), which failure or neglect, if susceptible to cure, remains uncured or continues or recurs fifteen (15) business days after written notice from the Company specifying in reasonable detail the nature of such failure;

(ii) the Executive's indictment or conviction of or plea of guilty or nolo contendere to a felony or other crime involving moral turpitude;

(iii) the Executive's engaging in illegal misconduct or gross misconduct that is intentionally harmful to the Company or its Affiliates; or

(iv) any material and knowing violation by the Executive of any covenant or restriction contained in this Agreement or any other agreement entered into with the Company or any of its Affiliates.

Upon the giving of notice of termination of the Executive's employment hereunder for Cause, the Company shall have no further obligation to the Executive, other than for Final Compensation. Other than the tax gross-up payment described in Section 5(a)(iv), which shall be paid at the time provided in Section 4(e) above, Final Compensation shall be paid to the Executive within sixty (60) days following the date of termination of employment.

(d) By the Company Other Than for Cause. The Company may terminate the Executive's employment hereunder other than for Cause at any time upon notice to the Executive. A termination of the Executive's employment that occurs on the last day of the term of this Agreement following the Company's notice to the Executive of non-renewal of the term hereof under Section 2 hereof shall be treated as a termination by the Company other than for Cause. In the event of such termination, the Executive shall be entitled to Final Compensation, and, in addition, the Company shall pay the Executive an amount equal to two (2) times the sum of (x) the Base Salary at the rate in effect on the date of termination plus (y) the Target Bonus for the year of termination (the "Severance Amount"). The Severance Amount shall be paid to the Executive in twenty-four (24) equal monthly installments as further provided for below. Any obligation of the Company to the Executive under this Section 5 (including in the event of a termination of employment due to death or Disability), other than for Final Compensation, is conditioned on (A) the Executive, or the Executive's Designated Beneficiary, signing and returning to the Company (without revoking) a timely and effective release of claims in the form attached hereto as Exhibit B, by the deadline specified therein, which in all events shall be no later than the forty fifth (45th) calendar day following the date of termination (any such release submitted by such deadline, the "Release of Claims"), (B) the Executive not engaging in an intentional or materially harmful violation of Section 7, 8 or 9(b) of this Agreement, and (C) the Executive's continued compliance with the covenants contained in Section 9(a) of this Agreement (subsections (B) and (C) collectively, the "Compliance Condition"). Subject to Section 5(g) below, severance pay to which the Executive is entitled hereunder shall be payable in accordance with the normal payroll practices of the Company, with the first payment, which shall be retroactive to the day immediately following the date the Executive's employment terminated, being due and payable on the Company's next regular payday for executives that follows the expiration of sixty (60) calendar days from the date the Executive's employment terminates. Other than the tax gross-up payment described in Section 5(a)(iv), which shall be paid at the time provided in Section 4(e) above, Final Compensation shall be paid to the Executive within sixty (60) days following the date of termination of employment.

(e) By the Executive for Good Reason. The Executive may terminate her employment hereunder for Good Reason (A) by providing notice to the Company specifying in reasonable detail the condition giving rise to the Good Reason no later than thirty (30) days following the date Executive first becomes aware of the occurrence of that condition, or in the case of a series of events resulting in a material diminution in the nature or scope of the Executive's duties, authority or responsibilities, thirty (30) days following the date Executive first becomes aware of the last such event; provided, however, that in order to claim that an event, taken together with another event or events,

constitutes Good Reason hereunder the Executive must have given notice to a member of the Board of such event at the time she first becomes aware of its occurrence; (B) by providing the Company a period of thirty (30) days to remedy the condition and so specifying in the notice and (C) by terminating her employment for Good Reason within thirty (30) days following the expiration of the period to remedy if the Company fails to remedy the condition. The following, occurring without the Executive's consent, shall constitute "Good Reason" for termination by the Executive:

(i) material diminution in the nature or scope of the Executive's duties, authority or responsibilities, including without limitation loss of membership on the Board; provided, however, that the following shall not constitute Good Reason: (A) the Executive's no longer serving as Chair of the Board; (B) the Executive's ceasing to be a member of the Board as a result of a merger of the Company into an Affiliate or any other similar transaction, so long as the Executive remains on the board of directors of the surviving entity, or (C) any sale or transfer of equity or assets of the Company or an Affiliate so long as the Executive remains Chief Executive Officer of the Company (or any successor to the Company) following such transaction, provided that a sale or other transfer, in one or a series of related transactions, of a majority of the assets of the Company other than to an entity controlled by the Company shall constitute Good Reason, but only if the conditions set forth above in this subsection (i) are also satisfied;

(ii) a reduction in the Base Salary or Target Bonus as set forth in Section 4(b) hereof;

(iii) the Company requiring the Executive to be based at a location in excess of fifty (50) miles from the location of the Company's principal executive offices in Tampa, Florida as of the effective date of this Agreement; or

(iv) a material breach by the Company of its obligations under this Agreement.

A termination of employment by the Executive under this Section 5(e) shall be treated as a termination by the Company other than for Cause under Section 5(d) above; provided that the Executive satisfies all conditions to such entitlement as set forth in Section 5(d), including, without limitation, the signing of an effective Release of Claims.

(f) By the Executive Without Good Reason. The Executive may terminate her employment hereunder at any time upon sixty (60) days' prior written notice to the Company. In the event of termination of the Executive's employment pursuant to this Section 5(f), the Board may elect to waive the period of notice, or any portion thereof, and, if the Board so elects, the Company will pay the Executive her Base Salary for the notice period (or for any remaining portion of the period). The Company shall also pay the Executive the Final Compensation (other than the tax gross-up payment described in Section 5(a)(iv), which shall be paid at the time provided in Section 4(e) above) in a lump sum within sixty (60) days following the date of the termination of employment. A

termination of the Executive's employment that occurs by reason of the Executive's notice to the Company of non-renewal of the term of this Agreement under Section 2 hereof will be treated as a termination by the Executive without Good Reason.

(g) Timing of Payments and Section 409A.

(i) Notwithstanding anything to the contrary in this Agreement, if at the time of the Executive's termination of employment, the Executive is a "specified employee," as defined below, any and all amounts payable under this Agreement on account of such separation from service that would (but for this provision) be payable within six (6) months following the date of termination, shall instead be paid on the next business day following the expiration of such six (6) month period or, if earlier, upon the Executive's death; except (A) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treasury regulation Section 1.409A-1(b) (including without limitation by reason of the safe harbor set forth in Section 1.409A-1(b)(9)(iii), as determined by the Company in its reasonable good faith discretion); (B) benefits which qualify as excepted welfare benefits pursuant to Treasury regulation Section 1.409A-1(a)(5); or (C) other amounts or benefits that are not subject to the requirements of Section 409A.

(ii) For purposes of this Agreement, all references to "termination of employment" and correlative phrases shall be construed to require a "separation from service" (as defined in Section 1.409A-1(h) of the Treasury regulations after giving effect to the presumptions contained therein), and the term "specified employee" means an individual determined by the Company to be a specified employee under Treasury regulation Section 1.409A-1(i).

(iii) Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments.

(h) Post-Agreement Employment. In the event the Executive remains in the employ of the Company or any of its Affiliates following the termination of this Agreement, then such employment shall be at will.

(i) Exclusive Right to Severance. The Executive's right to severance payments and benefits upon termination of employment shall be as expressly set forth in this Agreement. In no event shall the Executive participate in, or receive benefits under, any other plan, program or policy of the Company providing for severance or termination pay or benefits.

6. Effect of Termination. The provisions of this Section 6 shall apply to any termination of the Executive's employment under this Agreement.

(a) Subject to the other provisions of this Section 6, payment by the Company of any Final Compensation and the amounts provided for under the applicable

termination provision of Section 5 shall constitute the entire obligation of the Company to the Executive hereunder.

(b) Except for any right of the Executive to continue medical and dental plan participation in accordance with applicable law, the Executive's participation in all Employee Benefit Plans shall be determined pursuant to the terms of the applicable plan documents based on the date of termination of the Executive's employment without regard to any continuation of Base Salary or other payment to or on behalf of the Executive following such date of termination. The Executive shall be entitled to retain any then vested benefits under the Employee Benefit Plans in accordance with the terms of such plans.

(c) Upon any termination of employment, any then outstanding options to purchase Company common stock or other equity-based awards held by the Executive shall be governed by their respective terms.

(d) Provisions of this Agreement shall survive any termination of employment if so provided herein or if necessary or desirable fully to accomplish the purposes of other surviving provisions, including without limitation, the obligations of the Executive under Sections 7, 8 and 9 hereof. The obligation of the Company to provide severance pay or benefits hereunder is expressly conditioned upon the Executive's continued compliance with the Compliance Condition.

7. Confidential Information.

(a) The Executive acknowledges that the Company and its Affiliates continually develop Confidential Information, that the Executive may develop Confidential Information for the Company or its Affiliates and that the Executive may learn of Confidential Information during the course of her employment. The Executive agrees that all Confidential Information which the Executive creates or to which she has access as a result of her employment or other associations with the Company or its Affiliates is and shall remain the sole and exclusive property of the Company or its Affiliates, as applicable. The Executive will comply with the policies and procedures of the Company and its Affiliates for protecting Confidential Information and shall never disclose to any Person (except as required by applicable law or in connection with the good faith performance of her duties and responsibilities to the Company and its Affiliates), or use for her own benefit or gain or the benefit or gain of any third party, any Confidential Information obtained by the Executive incident to her employment or other association with the Company or any of its Affiliates. The Executive understands that this restriction shall continue to apply after her employment terminates, regardless of the reason for such termination. Further, the Executive agrees to furnish prompt notice, if legally permitted to do so, to the Company of any required disclosure of Confidential Information sought pursuant to subpoena, court order or any other legal process or requirement, and agrees to provide the Company a reasonable opportunity to seek protection of the Confidential Information prior to any such disclosure. The confidentiality obligation under this Section 7 shall not apply to information which

becomes generally known through no breach of this Agreement on the part of the Executive.

(b) All documents, records, tapes and other media of every kind and description relating to the business, present or otherwise, of the Company or its Affiliates, including, without limitation, recipes, product specifications, training materials, employee selection and testing materials, marketing and advertising materials, special event, charitable and community activity materials, customer correspondence, internal memoranda, products and designs, sales information, project files, price lists, customer and vendor lists, prospectus reports, customer or vendor information, sales literature, territory printouts, call books, notebooks, textbooks and all other like information or products, and any copies or derivatives (including without limitation electronic), in whole or in part, thereof (the "Documents"), whether or not prepared by the Executive, shall be the sole and exclusive property of the Company and its Affiliates. Except in connection with the good faith performance of the Executive's regular duties for the Company or as expressly authorized in writing in advance by the Company, the Executive will not copy any Documents or remove any Documents or copies or derivatives thereof from the premises of the Company. The Executive shall safeguard all Documents in her possession and shall surrender to the Company at the time her employment terminates, or at such earlier time or times as the Board or its designee may specify, all Documents and other property of the Company or any of its Affiliates then in the Executive's possession or control.

8. Assignment of Rights to Intellectual Property. The Executive shall promptly and fully disclose all Intellectual Property to the Company. The Executive hereby assigns and agrees to assign to the Company (or as otherwise directed by the Company) the Executive's full right, title and interest in and to all Intellectual Property. The Executive agrees to execute any and all applications for domestic and foreign patents, copyrights or other proprietary rights and to do such other acts (including without limitation the execution and delivery of instruments of further assurance or confirmation) requested by the Company to assign the Intellectual Property to the Company and to permit the Company to enforce any patents, copyrights or other proprietary rights to the Intellectual Property. The Executive will not charge the Company for time spent in complying with these obligations. All copyrightable works that the Executive creates in connection with or related to the performance of her services hereunder shall be considered "work made for hire" and shall, upon creation, be owned exclusively by the Company.

9. Restricted Activities. The Executive acknowledges that her access to and/or development of trade secrets, Confidential Information and goodwill on behalf of the Company and its Affiliates during the course of employment, as well as the provision of extraordinary or specialized training by the Company and its Affiliates, would give her an unfair competitive advantage were she to leave employment and begin competing with the Company or any of its Affiliates, and that she is being granted access to training, trade secrets, Confidential Information, and goodwill in reliance on her agreements hereunder. Accordingly, the Executive agrees that the restrictions set forth herein are necessary to protect the goodwill, trade secrets, Confidential Information and other legitimate interests of the Company and its Affiliates:

(a) While the Executive is employed by the Company and for a period of twenty-four months after her employment terminates for any reason hereunder (the "Non-Competition Period"), the Executive shall not, directly or indirectly, whether as owner, partner, investor, consultant, agent, co-venturer or otherwise, engage in or own or hold any ownership interest in or assist any person or entity engaged in or work for or provide services to, in any capacity, whether as an employee, independent contractor or otherwise, whether with or without compensation, any full service restaurant business (including, but not limited to, any restaurant business generally considered to be in the casual dining or polished casual dining business) that is located or intended to be located anywhere within a state (if inside the United States of America) or a country (if outside the United States of America) in which is located any restaurant owned or operated by the Company or any of its Affiliates, or any proposed full service restaurant (including, but not limited to, any restaurant generally considered to be in the casual dining or polished casual dining business) to be owned or operated by any of the foregoing or undertake any planning for any such business (collectively, the "Business"). For the purposes of this Section 9, full service restaurants (including, but not limited to, any restaurant business generally considered to be in the casual dining or polished casual dining business) owned or operated by the Company or any of its Affiliates shall include any entity in which the Company or any of its Affiliates has an interest, including, but not limited to, an interest as a franchisor. The term "proposed full service restaurant" shall include all locations for which the Company or any of its franchisees or Affiliates is conducting active, bona fide negotiations to secure a fee or leasehold interest with the intention of establishing a full service restaurant (including, but not limited to, any restaurant generally considered to be in the casual dining or polished casual dining business) thereon. The foregoing, however, shall not prevent (i) the Executive's passive ownership of two percent (2%) or less of the equity securities of any publicly traded company, or (ii) the Executive from working for or providing services to any entity if such entity, together with its affiliates, derives less than five percent (5%) of consolidated gross revenues from the Business and the Executive's responsibilities do not primarily involve the conduct of the Business by such entity.

(b) The Executive agrees that during her employment and during the Non-Competition Period, the Executive will not, and will not assist any other Person to, (i) hire, offer employment to or solicit for hiring any employee of the Company or any of its franchises or Affiliates or seek to persuade any employee of the Company or any of its franchises or Affiliates to discontinue employment or (ii) solicit or encourage any independent contractor providing services to the Company or any of its franchisees or Affiliates to terminate or diminish its relationship with them. For the purposes of this Agreement, an "employee" or "independent contractor" of the Company or any of its Affiliates is any person who was such at any time within the preceding two years.

10. Notification Requirement. Until forty-five (45) days after the conclusion of the Non-Competition Period, the Executive shall give notice to the Company of each new business activity she plans to undertake related to or involving the Business, at least thirty (30) days prior to beginning any such activity. Such notice shall state the name and address of the Person for whom such activity is undertaken and the nature of the Executive's business relationship(s) and position(s) with such Person. The Executive shall provide the Company with such other pertinent information concerning such business activity as the Company may reasonably request in order to determine the Executive's continued compliance with her obligations under Sections 7, 8 and 9 hereof.

11. Enforcement of Covenants. The Executive acknowledges that she has carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed upon her pursuant to Sections 7, 8 and 9 hereof. The Executive agrees that each of the restraints contained herein is necessary for the reasonable and proper protection of the goodwill, Confidential Information and other legitimate interests of the Company and its Affiliates; that each and every one of those restraints is reasonable in respect to subject matter, length of time and geographic area; and that these restraints, individually or in the aggregate, will not prevent her from obtaining other suitable employment during the period in which the Executive is bound by these restraints. The Executive further acknowledges that, were she to breach any of the covenants contained in Sections 7, 8 or 9 hereof, the damage to the Company could be irreparable. The Executive therefore agrees that the Company, in addition to any other remedies available to it, shall be entitled to preliminary and permanent injunctive relief against any breach or threatened breach by the Executive of any of said covenants, without having to post bond. Without limiting the generality of the foregoing, the Executive further agrees that, in the event of her failure to comply with the Compliance Condition, the Company shall have the immediate right to cease making any severance payments under Section 5(d) or (e) of this Agreement, shall have the right to require the Executive to repay any severance payments that had been paid to her prior to the date of such breach (only with respect to a breach of Section 9 hereof), and shall terminate any outstanding equity awards that have been awarded to her by the Company, notwithstanding anything to the contrary in any applicable grant document, stock option plan or any other applicable agreement or plan. The parties further agree that, in the event that any provision of Section 7, 8 or 9 hereof shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law. The Executive agrees that the Non-Competition Period shall be tolled, and shall not run, during any period of time in which she is in violation of the terms thereof, in order that the Company and its Affiliates shall have all of the agreed-upon temporal protection recited herein. No breach of any provision of this Agreement by the Company (other than a breach by the Company of its obligations to make severance payments under Section 5(d) or (e) of this Agreement), or any other claimed breach of contract or violation of law, or change in the nature or scope of the Executive's employment relationship with the Company, shall operate to extinguish the Executive's obligation to comply with Sections 7, 8 and 9 hereof.

12. Indemnification. The Company shall indemnify the Executive and provide the Executive with advancement of expenses to the fullest extent permitted by applicable law. The Executive agrees to promptly notify the Company of any actual or threatened claim arising out of or as a result of her employment with the Company.

13. Executive's Additional Representations. The Executive hereby represents and warrants to the Company that the Executive (i) is not subject to any noncompetition agreement affecting the Executive's employment with the Company or its Affiliates (other than any prior agreement with the Company), (ii) is not subject to any confidentiality or nonuse/nondisclosure agreement affecting the Executive's employment with the Company or its Affiliates (other than any prior agreement with the Company) and (iii) will not use for the benefit of the Company or its Affiliates any trade secrets, confidential business information, documents or other personal property of a prior employer.

14. Definitions. Words or phrases which are initially capitalized or are within quotation marks shall have the meanings provided in this Section 14 and as provided elsewhere herein. For purposes of this Agreement, the following definitions apply:

(a) "Affiliates" means all persons and entities directly or indirectly controlled by the Company.

(b) "Confidential Information" means any and all information of the Company and its Affiliates that is not generally known by others with whom they compete or do business, or with whom they plan to compete or do business and any and all information, publicly known in whole or in part or not, which, if disclosed by the Company or its Affiliates would assist in competition against them. Confidential Information includes without limitation such information relating to (i) the development, research, testing, manufacturing, marketing and financial activities of the Company and its Affiliates, (ii) the costs, sources of supply, financial performance and strategic plans of the Company and its Affiliates, (iii) the identity and special needs of the customers of the Company and its Affiliates, (iv) trade and industrial practices, trade secrets, recipes, product specifications, restaurant operating techniques and procedures, marketing techniques and procedures and vendors, and (v) the people and organizations with whom the Company and its Affiliates have business relationships and those relationships. Confidential Information also includes information that the Company or any of its Affiliates have received, or may receive hereafter, belonging to others or which was received by the Company or any of its Affiliates, and is being held, with any understanding, express or implied, that it will not be disclosed.

(c) "Designated Beneficiary" shall mean the beneficiary or beneficiaries designated by the Executive to the Company from time to time by written notice hereunder, and if no such designation is made, the Executive's estate or personal representative

(d) "Intellectual Property" means inventions, discoveries, developments, methods, processes, compositions, works, recipes, concepts and ideas (whether or not patentable or copyrightable or constituting trade secrets) conceived, made, created, developed or reduced to practice by the Executive (whether alone or with others, whether or not during normal business hours or on or off Company premises) during the Executive's

employment and during the period of six (6) months immediately following termination of her employment that relate to either the business or any prospective activity of the Company or any of its Affiliates or that make use of Confidential Information or any of the equipment or facilities of the Company or any of its Affiliates.

(e) "Person" means an individual, a corporation, an association, a partnership, an estate, a trust and any other entity or organization, other than the Company or any of its Affiliates.

15. Withholding. All payments made by the Company under this Agreement shall be reduced by any tax or other amounts required to be withheld by the Company under applicable law.

16. Assignment. Neither the Company nor the Executive may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other; provided, however, that the Company may assign its rights and obligations under this Agreement, without the consent of the Executive, to an Affiliate (that will manage the assets and carry on the historic business of the Company following such assignment) or a successor that expressly assumes and agrees in writing to perform this Agreement in the same manner and to the same extent as the Company, including in the event that the Company shall hereafter affect a reorganization, consolidate with, or merge into, any other Person, or transfer all or substantially all of its properties, stock, or assets to any other Person. This Agreement shall inure to the benefit of and be binding upon the Company and the Executive, their respective successors, executors, administrators, heirs and permitted assigns.

17. Severability. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

18. Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of either party to require the performance of any term or obligation of this Agreement, or the waiver by either party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

19. Notices. Any and all notices, requests, demands and other communications provided for by this Agreement shall be in writing and shall be effective when delivered in person, consigned to a reputable national courier service or deposited in the United States mail, postage prepaid, registered or certified, and addressed to the Executive at her last known address on the books of the Company, with a copy to Stephan G. Bachelder, Bachelder & Dowling, 120 Exchange St., Portland, Maine 04112 or, in the case of the Company, at its principal place of business, attention of the Corporate Secretary of the Company, with a copy to Ropes & Gray LLP, Prudential Tower, 800 Boylston Street, Boston, MA 02199, Attention: Newcomb Stillwell and Renata Ferrari or to such other address as either party may specify by notice to the other actually received.

20. Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes and terminates all prior communications, agreements and understandings, written or oral, with respect to the terms and conditions of the Executive's employment with the Company, including, but not limited to the Existing Agreement. However, this Agreement does not supersede or otherwise affect (a) the Kangaroo Holdings, Inc. 2007 Equity Incentive Plan, (b) the Kangaroo Holdings, Inc. Option Agreement, dated November 16, 2009, as amended, (c) the Kangaroo Holdings, Inc. Option Agreement, dated September 9, 2011, (d) the Stockholders Agreement among Kangaroo Holdings, Inc. and certain investors, dated as of June 14, 2007, as amended, and (e) the Registration Rights Agreement among Kangaroo Holdings, Inc. and certain investors, dated as of June 14, 2007.. As of the Effective Date, each of the Existing Agreement, the Retention Bonus Agreement, dated November 2, 2009, as amended by the Bloomin' Brands, Inc. Amendment to Bonus Agreements, dated May 10, 2012, and the Kangaroo Holdings, Inc. Bonus Agreement, dated December 31, 2009, as amended by the Bloomin' Brands, Inc. Amendment to Bonus Agreements, dated May 10, 2012 shall be of no further force or effect.

21. Amendment. This Agreement may be amended or modified only by a written instrument signed by the Executive and by an expressly authorized representative of the Company.

22. Headings. The headings and captions in this Agreement are for convenience only and in no way define or describe the scope or content of any provision of this Agreement.

23. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

24. Governing Law. This is a Florida contract and shall be construed and enforced under and be governed in all respects by the laws of the State of Florida, without regard to the conflict of laws principles thereof. In the event of any alleged breach or threatened breach of this Agreement, the Executive hereby consents and submits to the jurisdiction of the federal and state courts in and of the State of Florida.

25. Cooperation. The Executive shall cooperate fully with all reasonable requests for information and participation by the Company, its agents or its attorneys at the Company's expense in prosecuting or defending claims, suits and disputes brought on behalf of or against the Company and in which Executive is involved or about which Executive has knowledge.

**26. <u>WAIVER OF JURY TRIAL</u>. THE PARTIES TO THIS AGREEMENT KNOW AND UNDERSTAND THAT THEY HAVE A CONSTITUTIONAL RIGHT TO A JURY TRIAL.THE PARTIES ACKNOWLEDGE THAT ANY DISPUTE OR CONTROVERSY THAT MAY ARISE OUT OF THIS AGREEMENT WILL INVOLVE COMPLICATED AND DIFFICULT FACTUAL AND LEGAL ISSUES.**

**THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE CONTEMPLATED TRANSACTIONS, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT EITHER OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED−FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE TRIAL BY JURY, AND THAT ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR ANY OF THE CONTEMPLATED TRANSACTIONS SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.**

**THE PARTIES INTEND THAT THIS WAIVER OF THE RIGHT TO A JURY TRIAL BE AS BROAD AS POSSIBLE. BY THEIR SIGNATURES BELOW, THE PARTIES PROMISE, WARRANT AND REPRESENT THAT THEY WILL NOT PLEAD FOR, REQUEST OR OTHERWISE SEEK TO HAVE A JURY TO RESOLVE ANY AND ALL DISPUTES THAT MAY ARISE BY, BETWEEN OR AMONG THEM.**

*[The remainder of this page has been left blank intentionally.]*

IN WITNESS WHEREOF, this Agreement, as amended and restated, has been executed as a sealed instrument by the Company, by its duly authorized representative, and by the Executive, as of September 4, 2012.

| THE EXECUTIVE: | THE COMPANY: |
| --- | --- |
| By: /s/ Elizabeth A. Smith | By: /s/ Joseph J. Kadow |
| Elizabeth A. Smith | Name: Joseph J. Kadow |
| | Title: Executive Vice President |

EXHIBIT A

Member of the Board of Directors of Staples, Inc.
Member of the Board of Directors of Big Brothers, Big Sisters of America
Member of the Board of Advisors of H. Lee Moffitt Cancer Center & Research Institute

EXHIBIT B

[Form of Release]

Exhibit B

# RELEASE OF CLAIMS

This Release of Claims is provided by me, Elizabeth A. Smith (or by my designated beneficiary, in the event of my death during my employment) pursuant to the Amended and Restated Employment Agreement between me and Bloomin' Brands, Inc., made and entered into as of September 4, 2012 (the "Employment Agreement").

This Release of Claims is given in consideration of the severance benefits to be provided to me (or, in the event of my death during my employment, to my designated beneficiary) in connection with the termination of my employment under Section 5 of the Employment Agreement (collectively, the "Separation Payments"), Add other severance payments to the extent applicable. which are conditioned on my signing this Release of Claims and to which I am not otherwise entitled, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged. On my own behalf and that of my heirs, executors, administrators, beneficiaries, representatives and assigns, and all others connected with or claiming through me, I hereby release and forever discharge the Company from any and all causes of action, rights or claims of any type or description, known or unknown, which I have had in the past, now have or might have, through the date of my signing of this Release of Claims. This includes, without limitation, any and all causes of action, rights or claims in any way resulting from, arising out of or connected with my employment by the Company or the termination of that employment or pursuant to any federal, state or local law, regulation or other requirement, including without limitation Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the fair employment practices statutes of the state or states in which I have provided services to the Company or any other federal, state, local or foreign law, all as amended, any contracts of employment; any tort claims; or any agreements, plans or policies.

For purposes of this Release of Claims, the word "Company" always includes the subsidiaries and affiliates of the Company and all of its past, present and future officers, directors, trustees, shareholders, employees, employee benefit plans and any of the trustees or administrators thereof, agents, general and limited partners, members, managers, investors, joint venturers, representatives, predecessors, successors and assigns, and all others connected with any of them, both individually and in their official capacities.

Excluded from the scope of this Release of Claims is (i) any right I have to the Separation Payments arising after the effective date of this Release of Claims, (ii) any rights to benefits that were vested under the Company's employee benefit plans on the date on which my employment with the Company terminated, in accordance with the terms of such plans, (iii) any right of indemnification or contribution or advancement of expenses pursuant to the Articles of Incorporation or By-Laws or other applicable corporate governing documents of the Company, Delaware or other applicable law, or any indemnification agreement between the Company and me, (iv) any right under any applicable liability insurance policy with respect to my liability as a

[1] Add other severance payments to the extent applicable.

director or officer of the Company or any of its subsidiaries or affiliates, or (v) any right to enforce the terms of this Release of Claims or any other agreements, including any option or other equity agreement, between the Company and me that by their respective terms survive the termination of my employment.

In signing this Release of Claims, I give the Company assurance that I have returned to the Company any and all documents, materials and information related to the business, whether present or otherwise, of the Company and all keys and other property of the Company that were in my possession or control, all as required by and consistent with Section 7 of the Employment Agreement. I agree that I will not, for any purpose, attempt to access or use any computer or computer network or system of the Company, including without limitation their electronic mail systems. I further acknowledge that I have disclosed to the Company all passwords necessary or desirable to enable the Company to access all information which I have password-protected on its computer network or system.

In signing this Release of Claims, I agree that I have been paid in full all compensation due to me, whether for services rendered by me to the Company or otherwise, through the date on which my employment with the Company terminated and that, exclusive only of the Separation Payments, no further compensation of any kind shall be due to me by the Company, whether arising under the Employment Agreement or otherwise, in connection with my employment or the termination thereof. I also agree that except for any right I and my eligible dependents may have to continue participation in the Company's health and dental plans under the federal law commonly known as COBRA, my right to participate in any employee benefit plan of the Company will be determined in accordance with the terms of such plan. Release to be updated as of the date of termination to specifically state which benefits, if any, survive employment termination.

I acknowledge that my eligibility for the Separation Payments is not only contingent on my signing and returning this Release of Claims to the Company in a timely manner and not revoking it thereafter, but also is subject to my compliance with the Compliance Condition (as such term is defined in the Employment Agreement).

I further agree that from and after the date hereof I will not make any false, misleading or disparaging statements about the Company or any of its subsidiaries, affiliates, shareholders, officers, employees, directors or products or services. The Company agrees that it shall use its reasonable efforts to cause its shareholders, officers, employees and directors to not make any false, misleading or disparaging statements about me.

In signing this Release of Claims, I acknowledge my understanding that I may not sign it prior to the termination of my employment, but that I may consider the terms of this Release of Claims for up to twenty-one days (or, if the Company so instructs me in writing, for up to forty-five days) from the later of the date my employment with the Company terminates or the date I receive this Release of Claims. I also acknowledge that I am advised by the Company to seek the advice of an attorney prior to signing this Release of Claims, that I have had sufficient time to consider this Release of Claims and to consult with an attorney, if I wished to do so, or to

[2] Release to be updated as of the date of termination to specifically state which benefits, if any, survive employment termination.

consult with any other person of my choosing before signing, and that I am signing this Release of Claims voluntarily and with a full understanding of its terms. I further acknowledge that, in signing this Release of Claims, I have not relied on any promises or representations, express or implied, that are not set forth expressly in this Release of Claims.

Intending to be legally bound, I have signed this Release of Claims under seal as of the date written below.

Signature: ______________________ Date signed: ______________________

Bloomin' Brands, Inc.

______________________
Name:
Title:

Date: ______________________

**Exhibit 31.1**

**CERTIFICATION**

I, Elizabeth A. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bloomin' Brands, Inc.;

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

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

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

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

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

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

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

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

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

Date: September 5, 2012

/s/ Elizabeth A. Smith

Elizabeth A. Smith
President and Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION**

I, David J. Deno, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bloomin' Brands, Inc.;

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

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

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

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

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

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

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

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

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

Date: September 5, 2012

/s/ David J. Deno

David J. Deno
Executive Vice President and Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Bloomin' Brands, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Elizabeth A. Smith, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by the Report.

Date: September 5, 2012

/s/ Elizabeth A. Smith
Elizabeth A. Smith
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to, and will be retained by, Bloomin' Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Bloomin' Brands, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Deno, Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by the Report.

Date: September 5, 2012

/s/ David J. Deno
David J. Deno
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to, and will be retained by, Bloomin' Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.