

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 28, 2014

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**

(State or other jurisdiction of incorporation or organization)

**20-8023465**

(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 October 30, 2014, 125,649,008 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 September 28, 2014  
(Unaudited)

TABLE OF CONTENTS

	<u>Page No.</u>
<u>PART I — FINANCIAL INFORMATION</u>	
Item 1. <a href="#">Financial Statements</a>	3
<a href="#">Consolidated Financial Statements (Unaudited):</a>	
<a href="#">Consolidated Balance Sheets — September 28, 2014 and December 31, 2013</a>	3
<a href="#">Consolidated Statements of Operations and Comprehensive (Loss) Income — For the Thirteen and Thirty-Nine Weeks Ended September 28, 2014 and the Three and Nine Months Ended September 30, 2013</a>	5
<a href="#">Consolidated Statements of Changes in Stockholders' Equity — For the Thirty-Nine Weeks Ended September 28, 2014 and the Nine Months Ended September 30, 2013</a>	6
<a href="#">Consolidated Statements of Cash Flows — For the Thirty-Nine Weeks Ended September 28, 2014 and the Nine Months Ended September 30, 2013</a>	8
<a href="#">Notes to Consolidated Financial Statements</a>	10
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	28
Item 3. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	55
Item 4. <a href="#">Controls and Procedures</a>	56
<u>PART II — OTHER INFORMATION</u>	
Item 1. <a href="#">Legal Proceedings</a>	57
Item 1A. <a href="#">Risk Factors</a>	57
Item 2. <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	57
Item 5. <a href="#">Other Information</a>	58
Item 6. <a href="#">Exhibits</a>	59
<a href="#">Signature</a>	60

**BLOOMIN' BRANDS, INC.****PART I: FINANCIAL INFORMATION****Item 1. Financial Statements****CONSOLIDATED BALANCE SHEETS**  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA, UNAUDITED)

	SEPTEMBER 28, 2014	DECEMBER 31, 2013
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 144,671	\$ 209,871
Current portion of restricted cash and cash equivalents	4,542	3,364
Inventories	64,748	80,613
Deferred income tax assets	70,137	70,802
Assets held for sale	26,713	1,034
Other current assets, net	140,648	117,712
Total current assets	451,459	483,396
Restricted cash	26,265	25,055
Property, fixtures and equipment, net	1,640,198	1,633,263
Goodwill	359,167	352,118
Intangible assets, net	600,132	617,133
Deferred income tax assets	3,341	2,392
Other assets, net	153,750	165,119
Total assets	\$ 3,234,312	\$ 3,278,476

(CONTINUED...)

**BLOOMIN' BRANDS, INC.****CONSOLIDATED BALANCE SHEETS**  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA, UNAUDITED)

	SEPTEMBER 28, 2014	DECEMBER 31, 2013
<b>LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 200,268	\$ 164,619
Accrued and other current liabilities	206,242	197,114
Current portion of partner deposits and accrued partner obligations	10,670	12,548
Unearned revenue	226,914	359,443
Current portion of long-term debt	40,751	13,546
Total current liabilities	684,845	747,270
Partner deposits and accrued partner obligations	71,347	78,116
Deferred rent	118,299	105,963
Deferred income tax liabilities	142,548	150,051
Long-term debt, net	1,372,341	1,405,597
Other long-term liabilities, net	250,495	286,786
Total liabilities	2,639,875	2,773,783
Commitments and contingencies (Note 15)		
<b>Mezzanine Equity</b>		
Redeemable noncontrolling interests	24,525	21,984
<b>Stockholders' Equity</b>		
<b>Bloomin' Brands Stockholders' Equity</b>		
Preferred stock, \$0.01 par value, 25,000,000 shares authorized; no shares issued and outstanding at September 28, 2014 and December 31, 2013	—	—
Common stock, \$0.01 par value, 475,000,000 shares authorized; 125,629,011 and 124,784,124 shares issued and outstanding at September 28, 2014 and December 31, 2013, respectively	1,256	1,248
Additional paid-in capital	1,076,847	1,068,705
Accumulated deficit	(497,342)	(565,154)
Accumulated other comprehensive loss	(15,935)	(26,418)
Total Bloomin' Brands stockholders' equity	564,826	478,381
Noncontrolling interests	5,086	4,328
Total stockholders' equity	569,912	482,709
Total liabilities, mezzanine equity and stockholders' equity	\$ 3,234,312	\$ 3,278,476

The accompanying notes are an integral part of these consolidated financial statements.

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

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
<b>Revenues</b>				
Restaurant sales	\$ 1,059,217	\$ 957,507	\$ 3,314,179	\$ 3,047,854
Other revenues	6,237	10,062	20,046	30,821
Total revenues	<u>1,065,454</u>	<u>967,569</u>	<u>3,334,225</u>	<u>3,078,675</u>
<b>Costs and expenses</b>				
Cost of sales	348,315	317,589	1,080,785	993,031
Labor and other related	295,532	274,125	909,422	858,020
Other restaurant operating	269,480	246,240	791,277	717,489
Depreciation and amortization	48,750	40,135	143,542	121,220
General and administrative	75,417	61,822	221,733	199,407
Provision for impaired assets and restaurant closings	29,081	121	36,170	2,706
Income from operations of unconsolidated affiliates	—	(1,973)	—	(7,454)
Total costs and expenses	<u>1,066,575</u>	<u>938,059</u>	<u>3,182,929</u>	<u>2,884,419</u>
(Loss) income from operations	(1,121)	29,510	151,296	194,256
Loss on extinguishment and modification of debt	—	—	(11,092)	(14,586)
Other income (expense), net	18	223	171	(127)
Interest expense, net	(13,837)	(17,690)	(45,544)	(56,585)
(Loss) income before (benefit) provision for income taxes	(14,940)	12,043	94,831	122,958
(Benefit) provision for income taxes	(4,110)	(91)	22,839	(30,696)
Net (loss) income	(10,830)	12,134	71,992	153,654
Less: net income attributable to noncontrolling interests	613	840	3,311	4,269
Net (loss) income attributable to Bloomin' Brands	<u>\$ (11,443)</u>	<u>\$ 11,294</u>	<u>\$ 68,681</u>	<u>\$ 149,385</u>
Net (loss) income	\$ (10,830)	\$ 12,134	\$ 71,992	\$ 153,654
<b>Other comprehensive (loss) income:</b>				
Foreign currency translation adjustment	(2,754)	10,697	10,969	(1,979)
Unrealized losses on derivatives, net of tax	(486)	—	(486)	—
Comprehensive (loss) income	(14,070)	22,831	82,475	151,675
Less: comprehensive income attributable to noncontrolling interests	613	840	3,311	4,269
Comprehensive (loss) income attributable to Bloomin' Brands	<u>\$ (14,683)</u>	<u>\$ 21,991</u>	<u>\$ 79,164</u>	<u>\$ 147,406</u>
<b>(Loss) earnings per share:</b>				
Basic	\$ (0.09)	\$ 0.09	\$ 0.55	\$ 1.22
Diluted	\$ (0.09)	\$ 0.09	\$ 0.54	\$ 1.16
<b>Weighted average common shares outstanding:</b>				
Basic	125,289	123,747	125,023	122,624
Diluted	<u>125,289</u>	<u>129,439</u>	<u>128,148</u>	<u>128,464</u>

The accompanying notes are an integral part of these consolidated financial statements.

**BLOOMIN' BRANDS, INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(IN THOUSANDS, UNAUDITED)

BLOOMIN' BRANDS, INC.							
	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUM-ULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	NON- CONTROLLING INTERESTS	TOTAL
	SHARES	AMOUNT					
Balance, December 31, 2013	124,784	\$ 1,248	\$ 1,068,705	\$ (565,154)	\$ (26,418)	\$ 4,328	\$ 482,709
Net income	—	—	—	68,681	—	2,853	71,534
Other comprehensive income, net of tax	—	—	—	—	10,483	—	10,483
Stock-based compensation	—	—	12,987	—	—	—	12,987
Excess tax benefit on stock-based compensation	—	—	1,067	—	—	—	1,067
Common stock issued under stock plans, net of forfeitures and shares withheld for employee taxes	845	8	6,643	(869)	—	—	5,782
Purchase of limited partnership interests, net of tax of \$6,519	—	—	(11,928)	—	—	1,236	(10,692)
Transfer to redeemable noncontrolling interest	—	—	(627)	—	—	—	(627)
Distributions to noncontrolling interests	—	—	—	—	—	(3,331)	(3,331)
Balance, September 28, 2014	125,629	\$ 1,256	\$ 1,076,847	\$ (497,342)	\$ (15,935)	\$ 5,086	\$ 569,912

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

BLOOMIN' BRANDS, INC.							
	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUM-ULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	NON- CONTROLLING INTERESTS	TOTAL
	SHARES	AMOUNT					
Balance, December 31, 2012	121,148	\$ 1,211	\$ 1,000,963	\$ (773,085)	\$ (14,801)	\$ 5,917	\$ 220,205
Net income	—	—	—	149,385	—	4,269	153,654
Other comprehensive income, net of tax	—	—	—	—	(1,979)	—	(1,979)
Release of valuation allowance related to purchases of limited partnerships and joint venture interests	—	—	15,669	—	—	—	15,669
Stock-based compensation	—	—	10,841	—	—	—	10,841
Common stock issued under stock plans, net of forfeitures and shares withheld for employee taxes	3,139	32	24,631	(370)	—	—	24,293
Repayments of notes receivable due from stockholders	—	—	5,829	—	—	—	5,829
Distributions to noncontrolling interests	—	—	—	—	—	(5,799)	(5,799)
Balance, September 30, 2013	124,287	\$ 1,243	\$ 1,057,933	\$ (624,070)	\$ (16,780)	\$ 4,387	\$ 422,713

The accompanying notes are an integral part of these consolidated financial statements.

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

	<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>NINE MONTHS ENDED SEPTEMBER 30, 2013</b>
Cash flows provided by operating activities:		
Net income	\$ 71,992	\$ 153,654
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	143,542	121,220
Amortization of deferred financing fees	2,378	2,673
Amortization of capitalized gift card sales commissions	20,144	17,209
Provision for impaired assets and restaurant closings	36,170	2,706
Accretion on debt discounts	1,589	1,837
Stock-based and other non-cash compensation expense	14,546	16,584
Income from operations of unconsolidated affiliates	—	(7,454)
Deferred income tax benefit	(1,687)	(56,146)
Loss on disposal of property, fixtures and equipment	1,548	321
Gain on life insurance and restricted cash investments	(1,305)	(3,464)
Loss on extinguishment and modification of debt	11,092	14,586
Recognition of deferred gain on sale-leaseback transaction	(1,605)	(1,600)
Excess tax benefits from stock-based compensation	(1,067)	—
Change in assets and liabilities:		
Decrease in inventories	14,707	7,370
Increase in other current assets	(34,489)	(15,881)
Decrease (increase) in other assets	6,141	(3,083)
Decrease in accounts payable and accrued and other current liabilities	(2,059)	(13,450)
Increase in deferred rent	14,969	17,708
Decrease in unearned revenue	(134,545)	(127,330)
Decrease in other long-term liabilities	(2,513)	(787)
Net cash provided by operating activities	<u>159,548</u>	<u>126,673</u>
Cash flows used in investing activities:		
Purchases of life insurance policies	(1,682)	(760)
Proceeds from sale of life insurance policies	627	1,071
Proceeds from disposal of property, fixtures and equipment	4,070	3,561
Acquisition of business, net of cash acquired	(3,063)	—
Capital expenditures	(174,432)	(166,154)
Decrease in restricted cash	19,612	19,280
Increase in restricted cash	(21,150)	(18,470)
Net cash used in investing activities	<u>\$ (176,018)</u>	<u>\$ (161,472)</u>

(CONTINUED...)



**BLOOMIN' BRANDS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(IN THOUSANDS, UNAUDITED)

	<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>NINE MONTHS ENDED SEPTEMBER 30, 2013</b>
<b>Cash flows used in financing activities:</b>		
Proceeds from issuance of senior secured Term loan A	\$ 297,088	\$ —
Extinguishment and modification of senior secured term loan	(700,000)	—
Repayments of long-term debt	(25,159)	(37,401)
Proceeds from borrowings on revolving credit facilities	474,500	—
Repayments of borrowings on revolving credit facilities	(59,500)	—
Financing fees	(4,492)	(12,519)
Proceeds from the exercise of stock options	7,042	24,681
Distributions to noncontrolling interests	(3,331)	(5,799)
Purchase of limited partnership interests	(17,211)	—
Repayments of partner deposits and accrued partner obligations	(17,603)	(17,426)
Repayments of notes receivable due from stockholders	—	5,829
Repurchase of common stock	(869)	(370)
Excess tax benefits from stock-based compensation	1,067	—
Tax withholding on performance-based share units	(400)	—
Net cash used in financing activities	<u>(48,868)</u>	<u>(43,005)</u>
Effect of exchange rate changes on cash and cash equivalents	138	(228)
Net decrease in cash and cash equivalents	(65,200)	(78,032)
Cash and cash equivalents at the beginning of the period	209,871	261,690
Cash and cash equivalents at the end of the period	<u>\$ 144,671</u>	<u>\$ 183,658</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ 43,369	\$ 54,416
Cash paid for income taxes, net of refunds	43,193	17,861
<b>Supplemental disclosures of non-cash investing and financing activities:</b>		
Conversion of partner deposits and accrued partner obligations to notes payable	\$ 503	\$ 1,051
Acquisition of property, fixtures and equipment through accounts payable or capital lease liabilities	11,174	13,187
Contribution receivable from noncontrolling interest	1,456	—
Deferred tax effect of purchase of noncontrolling interests	6,519	—
Release of valuation allowance through additional paid-in capital related to purchases of limited partnerships and joint venture interests	—	15,669

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") was formed by an investor group comprised of funds advised by Bain Capital Partners, LLC and Catterton Management Company, LLC, Chris T. Sullivan, Robert D. Basham, J. Timothy Gannon and certain members of management. Bloomin' Brands is a holding company and conducts its operations through OSI Restaurant Partners, LLC ("OSI"), the Company's primary operating entity, and New Private Restaurant Properties, LLC, an indirect wholly-owned subsidiary of the Company that leases certain Company-owned restaurant properties to a subsidiary of OSI.

The Company owns and operates casual, polished 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. 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 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 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

*Change in Fiscal Year End* - On January 3, 2014, the Board of Directors approved a change in the Company's fiscal year end from a calendar year ending on December 31 to a 52-53 week year ending on the last Sunday in December, effective beginning with fiscal year 2014. The Company believes the change in fiscal year provides numerous benefits, including aligning the Company's reporting periods to be more consistent with peer restaurant companies and improving comparability between periods by removing the effect of trading day on Restaurant sales and operating margins. The Company will continue reporting its Brazil operations on a calendar-based one-month lag. All other international operations will be reported on a 52-53 week reporting period contemporaneously with the domestic operations.

The Company made the fiscal year change on a prospective basis and has not adjusted operating results for prior periods. The change impacts the prior year comparability of the Company's fiscal quarters in 2014 and will result in shifts in the quarterly periods, which will have an impact on quarterly financial results. The thirteen weeks ended September 28, 2014 included one less operating day than the comparable prior year period and the Company estimates that the associated impact was a reduction of approximately \$6.9 million and \$1.4 million of Restaurant sales and Net (loss) income attributable to Bloomin' Brands, respectively. The thirty-nine weeks ended September 28, 2014, included two less operating days than the comparable prior year period and the Company estimates that the associated impact was a reduction of approximately \$14.4 million and \$2.9 million of Restaurant sales and Net (loss) income attributable to Bloomin' Brands, respectively.

*Reclassifications* - The Company has reclassified certain items in the accompanying consolidated financial statements for prior periods to be comparable with the classification for the thirteen and thirty-nine weeks ended September 28, 2014. These reclassifications had no effect on previously reported net income.

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

## 2. Acquisitions

*Acquisition of Controlling Interest in the Company's Brazil Operations* - Prior to November 1, 2013, the Company held a 50% ownership interest in PGS Consultoria e Serviços Ltda. (the "Brazilian Joint Venture") through a joint venture arrangement with PGS Participações Ltda, which operated Outback Steakhouse restaurants in Brazil. Effective November 1, 2013, the Company completed the acquisition of a controlling interest in the Brazilian Joint Venture, resulting in the consolidation of this entity.

The Company accounted for the Brazilian Joint Venture acquisition as a business combination in the fourth quarter of 2013. The following table summarizes the measurement period adjustments made to amounts initially recorded. The measurement period adjustments did not have a significant impact to the Company's Consolidated Statements of Operations and Comprehensive (Loss) Income or Consolidated Statements of Cash Flows.

(in thousands)	AMOUNTS PREVIOUSLY RECORDED AT NOVEMBER 1, 2013	MEASUREMENT PERIOD ADJUSTMENTS	ADJUSTED ACQUISITION DATE AMOUNTS
Other current assets, net	\$ 14,984	\$ (676)	\$ 14,308
Property, fixtures and equipment	\$ 81,038	\$ (923)	\$ 80,115
Goodwill	\$ 135,701	\$ 6,241	\$ 141,942
Other assets, net	\$ 4,535	\$ (64)	\$ 4,471
Accrued and other current liabilities	\$ (17,486)	\$ (2,946)	\$ (20,432)
Deferred income taxes	\$ (26,881)	\$ 565	\$ (26,316)
Other long-term liabilities, net	\$ (11,390)	\$ (2,197)	\$ (13,587)

Prior to the acquisition, the Company accounted for the Brazilian Joint Venture under the equity method of accounting. The Company's share of earnings of \$2.0 million and \$7.5 million for the three and nine months ended September 30, 2013, respectively, was recorded in Income from operations of unconsolidated affiliates in the Company's Consolidated Statement of Operations and Comprehensive Income. The Brazilian Joint Venture's results of operations for the thirteen and thirty-nine weeks ended September 28, 2014 are reflected in the respective line items in the Company's Consolidated Statement of Operations and Comprehensive (Loss) Income.

*Acquisition of Limited Partnership Interests* - Effective January 1, 2014, the Company purchased the remaining partnership interests in certain of the Company's limited partnerships that either owned or had a contractual right to varying percentages of cash flows in 37 Bonfish Grill restaurants for an aggregate purchase price of \$17.2 million. These transactions resulted in a reduction of approximately \$11.9 million in Additional paid-in capital in the Company's Consolidated Balance Sheet at September 28, 2014.

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued**

The following table sets forth the effect of these transactions on stockholders' equity attributable to Bloomin' Brands (in thousands):

	NET INCOME ATTRIBUTABLE TO BLOOMIN' BRANDS AND TRANSFERS TO NONCONTROLLING INTERESTS			
	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Net (loss) income attributable to Bloomin' Brands	\$ (11,443)	\$ 11,294	\$ 68,681	\$ 149,385
Transfers to noncontrolling interests:				
Net decrease in Bloomin' Brands additional paid-in capital for purchase of limited partnership interests	—	—	(11,928)	—
Change from net (loss) income attributable to Bloomin' Brands and transfers to noncontrolling interests	\$ (11,443)	\$ 11,294	\$ 56,753	\$ 149,385

*Acquisition of Franchised Restaurants* - Effective March 1, 2014, the Company acquired two Bonefish Grill restaurants from a franchisee for a purchase price of approximately \$3.2 million, including customary escrow amounts. The Consolidated Statement of Operations and Comprehensive (Loss) Income includes the results of operations for these restaurants from the date of acquisition. The pro forma impact of the acquisition on prior periods is not presented as the impact was not material to reported results.

The Company allocated the purchase price to the assets acquired less the liabilities assumed based on their estimated fair value on the date of acquisition with the remaining \$2.5 million of the purchase price allocated to goodwill. All goodwill recognized is expected to be deductible for tax purposes.

3. Impairments and Disposals

The components of Provision for impaired assets and restaurant closings are as follows (in thousands):

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Impairment losses	\$ 28,734	\$ —	\$ 29,216	\$ 1,006
Restaurant closure expenses	347	121	6,954	1,700
Provision for impaired assets and restaurant closings	\$ 29,081	\$ 121	\$ 36,170	\$ 2,706

*Restaurant Closure Initiatives* - In the fourth quarter of 2013, the Company completed an assessment of its domestic restaurant base and decided to close 22 underperforming domestic locations (the "Domestic Restaurant Closure Initiative"). Approximately \$4.9 million of pre-tax restaurant closing charges were incurred during the thirty-nine weeks ended September 28, 2014, in connection with the Domestic Restaurant Closure Initiative.

The Company decided to close 36 underperforming international locations, primarily in South Korea (the "International Restaurant Closure Initiative"). The Company expects to substantially complete these international restaurant closings during the fourth quarter of 2014 and the first quarter of 2015. In connection with the International Restaurant Closure Initiative, the Company incurred pre-tax asset impairments of approximately \$11.6 million during the thirteen and thirty-nine weeks ended September 28, 2014.

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

The Company expects to incur additional charges of approximately \$19.0 million to \$29.0 million, including costs associated with lease obligations, employee terminations and other closure related obligations, primarily through the first quarter of 2015. Following is a summary of estimated pre-tax expense by type:

	<b>ESTIMATED EXPENSE (IN MILLIONS) (1)</b>		
Lease related liabilities, net of subleases	\$12.0	to	\$20.0
Employee severance	\$6.0	to	\$7.0
Other obligations	\$1.0	to	\$2.0

(1) Total future cash expenditures of \$19.0 million to \$29.0 million, primarily related to lease liabilities, are expected to occur through February 2024.

Following is a summary of restaurant closure initiative expenses recognized in the Consolidated Statement of Operations and Comprehensive (Loss) Income during the thirteen and thirty-nine weeks ended September 28, 2014 (in thousands):

<b>DESCRIPTION</b>	<b>LOCATION OF CHARGE IN THE CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME</b>	<b>THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>
Impairment losses	Provision for impaired assets and restaurant closings	\$ 11,573	\$ 11,573
Restaurant closure expenses	Provision for impaired assets and restaurant closings	—	5,972
Severance and other liabilities	General and administrative	—	1,035
Deferred rent liability write-off	Other restaurant operating	—	(2,078)
		<u>\$ 11,573</u>	<u>\$ 16,502</u>

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued**

*Roy's* - In September 2014, the Company reclassified the assets and liabilities of *Roy's* to held for sale as it plans to exit the *Roy's* business within a one-year period. Liabilities held for sale are included with Accrued and other current liabilities in the Consolidated Balance Sheet.

Following are the assets and liabilities of *Roy's* held for sale at September 28, 2014 (in thousands):

	<b>SEPTEMBER 28, 2014</b>
<b>Assets</b>	
Current assets	\$ 2,777
Property, fixtures and equipment, net	16,078
Intangible assets, net	5,820
Other non-current assets	638
Total assets (1)	<u>\$ 25,313</u>
<b>Liabilities</b>	
Current liabilities	\$ 3,069
Non-current liabilities	3,097
Total liabilities	<u>\$ 6,166</u>

- (1) In connection with the decision to sell *Roy's*, the Company recorded pre-tax impairment charges of \$6.0 million for Assets held for sale during the thirteen and thirty-nine weeks ended September 28, 2014. This impairment charge is recorded in Provision for impaired assets and restaurant closings in the Consolidated Statements of Operations and Comprehensive (Loss) Income and reduces the amount of Assets held for sale.

Following are components of *Roy's* included in the Consolidated Statements of Operations and Comprehensive (Loss) Income for the following periods (in thousands):

	<b>THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014</b>		<b>THREE MONTHS ENDED SEPTEMBER 30, 2013</b>		<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>		<b>NINE MONTHS ENDED SEPTEMBER 30, 2013</b>	
Restaurant sales	\$	15,717	\$	17,020	\$	52,117	\$	56,294
Loss before (benefit) provision for income taxes (1)	\$	(6,962)	\$	(857)	\$	(6,393)	\$	(110)

- (1) Includes impairment charges of \$6.0 million for Assets held for sale during the thirteen and thirty-nine weeks ended September 28, 2014.

*Other Disposals* - During the third quarter of 2014, the Company decided to sell both of its corporate airplanes. In connection with this decision, the Company recognized pre-tax asset impairment charges of \$10.6 million for the thirteen and thirty-nine weeks ended September 28, 2014. The Company anticipates the final sale and disposal of the airplanes will be completed within a one-year period and has recorded the remaining \$5.5 million fair value for the airplanes to Assets held for sale. Impairment charges are recorded in Provision for impaired assets and restaurant closings in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued**

4. (Loss) Earnings Per Share

The computation of basic and diluted (loss) earnings per share is as follows (in thousands, except per share amounts):

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Net (loss) income attributable to Bloomin' Brands	\$ (11,443)	\$ 11,294	\$ 68,681	\$ 149,385
Basic weighted average common shares outstanding	125,289	123,747	125,023	122,624
Effect of diluted securities:				
Stock options	—	5,500	3,055	5,303
Nonvested restricted stock and restricted stock units	—	192	70	537
Diluted weighted average common shares outstanding	125,289	129,439	128,148	128,464
Basic (loss) earnings per share	\$ (0.09)	\$ 0.09	\$ 0.55	\$ 1.22
Diluted (loss) earnings per share	\$ (0.09)	\$ 0.09	\$ 0.54	\$ 1.16

Potential common shares are excluded from the computation of diluted (loss) earnings per share when the effect would be anti-dilutive. All potential common shares are anti-dilutive in periods of net loss. Stock options are anti-dilutive when the exercise price of these instruments is greater than the average market price of the Company's common stock for the period. Following are the weighted-average potential common shares excluded from diluted (loss) earnings per share as their effect is anti-dilutive (in thousands):

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Stock options	5,519	1,328	3,385	1,557
Nonvested restricted stock and restricted stock units	359	—	251	—

5. Stock-based Compensation

The Company's 2012 Incentive Award Plan permits the grants of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based awards to Company management and other key employees. The Company accounts for its stock-based employee compensation using a fair value-based method of accounting. The Company recognized stock-based compensation expense as follows (in thousands):

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Stock options	\$ 3,611	\$ 2,444	\$ 9,177	\$ 8,750
Restricted stock and restricted stock units	863	508	2,601	1,384
Performance-based share units	398	218	933	483
	\$ 4,872	\$ 3,170	\$ 12,711	\$ 10,617

During the thirty-nine weeks ended September 28, 2014, the Company made grants to its employees of 1.3 million stock options, 0.3 million time-based restricted stock units and 0.1 million performance-based share units. The weighted-average grant date fair value per stock option was \$11.88.

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued**

The following represents unrecognized stock compensation expense and the remaining weighted-average vesting period at September 28, 2014:

	UNRECOGNIZED COMPENSATION EXPENSE (in thousands)	REMAINING WEIGHTED-AVERAGE VESTING PERIOD (in years)
Stock options	\$ 25,573	2.9
Restricted stock and restricted stock units	\$ 10,733	2.8
Performance-based share units	\$ 506	0.4

6. Other Current Assets, Net

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

	SEPTEMBER 28, 2014	DECEMBER 31, 2013
Prepaid expenses	\$ 45,095	\$ 27,652
Accounts receivable - vendors, net	31,127	23,218
Accounts receivable - franchisees, net	1,713	1,394
Accounts receivable - other, net	26,837	33,086
Other current assets, net	35,876	32,362
	<u>\$ 140,648</u>	<u>\$ 117,712</u>

7. Goodwill and Intangible Assets, Net

*Goodwill* - The following table presents a rollforward of goodwill for the thirty-nine weeks ended September 28, 2014 (in thousands):

Balance at December 31, 2013	\$ 352,118
Acquisitions (1)	2,461
Translation adjustments	4,588
Balance at September 28, 2014	<u>\$ 359,167</u>

(1) See Note 2 - *Acquisitions* for further information.

The Company performed an annual assessment of goodwill and other indefinite-lived intangible assets during the second quarters of 2014 and 2013. In connection with the annual assessment, no goodwill or indefinite-lived intangible asset impairments were recorded in the thirty-nine weeks ended September 28, 2014 and nine months ended September 30, 2013.

*Intangible Assets, net* - Effective June 1, 2014, OSI and Carrabba's Italian Grill, LLC ("Carrabba's"), a wholly owned subsidiary of OSI, entered into a Third Amendment to the Royalty Agreement with the founders of Carrabba's Italian Grill and their affiliated entities (collectively, the "Carrabba's Founders"). The amendment provides that no continuing royalty fee will be paid to the Carrabba's Founders for Carrabba's restaurants located outside the United States. Each Carrabba's restaurant located outside the United States will pay a one-time lump sum royalty fee, which varies depending on the size of the restaurant. The one-time fee is \$100,000 for restaurants 5,000 square feet or larger, \$75,000 for



**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued**

restaurants 3,500 square feet or larger but less than 5,000 square feet and \$50,000 for restaurants less than 3,500 square feet. In connection with the amendment, the Company made a non-refundable payment of \$1.0 million to the Carrabba's Founders for the first ten restaurants of 5,000 square feet or more to be located outside the United States.

In addition, new Carrabba's restaurants in the U.S. that first open on or after June 1, 2014 will pay a fixed royalty of 0.5 percent on sales occurring prior to 4 pm local time Monday through Saturday. Existing Carrabba's restaurants in the U.S. that begin serving weekday lunch on or after June 1, 2014 will pay a fixed royalty of 0.5 percent on sales occurring prior to 4 pm local time Monday through Friday. In each case, these sales will be excluded in calculating the volume based royalty percentage on sales after 4 pm.

The payment to the Carrabba's Founders was recorded as a trade name in Intangible Assets, net, in the Consolidated Balance Sheet at September 28, 2014.

8. Long-term Debt, Net

Following is a summary of outstanding long-term debt, (in thousands, except interest rate):

	SEPTEMBER 28, 2014		DECEMBER 31, 2013	
	OUTSTANDING BALANCE	INTEREST RATE	OUTSTANDING BALANCE	INTEREST RATE
<b>Senior Secured Credit Facility:</b>				
Term loan A	\$ 300,000	2.16%	\$ —	—
Term loan B	225,000	3.50%	935,000	3.50%
Revolving credit facility (1)	415,000	2.16%	—	—
Total senior secured credit facility	940,000		935,000	
<b>2012 CMBS loan:</b>				
Mortgage loan (2)	301,859	4.07%	311,644	4.02%
First mezzanine loan	85,392	9.00%	86,131	9.00%
Second mezzanine loan	86,240	11.25%	86,704	11.25%
Total 2012 CMBS loan	473,491		484,479	
Other notes payable	3,066	0.52% to 7.00%	6,186	0.58% to 7.00%
Sale-leaseback obligations	2,375		2,375	
Capital lease obligations	722		1,255	
	\$ 1,419,654		\$ 1,429,295	
Less: current portion of long-term debt	(40,751)		(13,546)	
Less: unamortized debt discount	(6,562)		(10,152)	
Long-term debt, net	\$ 1,372,341		\$ 1,405,597	

(1) Includes \$15.0 million of borrowings on the swing line loan sub-facilities at an interest rate of 4.25%, which was repaid subsequent to September 28, 2014. In October 2014, the Company drew an additional \$10.0 million on the revolving credit facility.

(2) Represents the weighted-average interest rate for the respective period.

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

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

*Credit Agreement* - On October 26, 2012, OSI entered into a credit agreement (“Credit Agreement”) with a syndicate of institutional lenders and financial institutions for a senior secured credit facility (the “Senior Secured Credit Facility”) of \$1.225 billion. The Credit Agreement was comprised of a \$1.0 billion Term loan B and a \$225.0 million revolving credit facility, including letter of credit and swing line loan sub-facilities. The Term loan B was issued with an original issue discount of \$10.0 million.

OSI amended the Credit Agreement in April 2013 in connection with a repricing of the Term loan B. In January 2014, the Credit Agreement was amended to align to the change in the Company’s fiscal year.

*Amended Credit Agreement* - OSI completed a refinancing of its Senior Secured Credit Facility and entered into an amendment to the Credit Agreement (“Amended Credit Agreement”) on May 16, 2014. The Amended Credit Agreement provides for senior secured financing of up to \$1.125 billion, consisting of a new \$300.0 million Term loan A, a \$225.0 million Term loan B and a \$600.0 million revolving credit facility, including letter of credit and swing line loan sub-facilities. The Term loan A and revolving credit facility mature May 16, 2019, and the Term loan B matures on October 26, 2019. The Term loan A was issued with a discount of \$2.9 million.

At closing, \$400.0 million was drawn under the revolving credit facility. The proceeds of the Term loan A and the loans made at closing under the revolving credit facility were used to pay down a portion of OSI’s Term loan B under the Credit Agreement. The total indebtedness of the Company remained unchanged as a result of the refinancing.

The Company may elect an interest rate for the Amended Credit Agreement at each reset period based on the Base Rate or the Eurocurrency Rate. The Base Rate option is the highest of (i) the prime rate of Wells Fargo Bank, National Association, (ii) the federal funds effective rate plus 0.5 of 1.0% or (iii) the Eurocurrency rate with a one-month interest period plus 1.0% (the “Base Rate”). The Eurocurrency Rate option is the seven, 30, 60, 90 or 180-day Eurocurrency rate (“Eurocurrency Rate”). The interest rates are as follows:

	BASE RATE ELECTION	EUROCURRENCY RATE ELECTION
Term loan A and revolving credit facility	75 to 125 basis points over Base Rate	175 to 225 basis points over the Eurocurrency Rate
Term loan B	150 basis points over Base Rate	250 basis points over the Eurocurrency Rate

Since the effective date of the Amended Credit Agreement, the Company has elected the Eurocurrency rate as its primary interest rate. Under the terms of the Amended Credit Agreement, the Term loan B interest rate determined using the Base Rate and Eurocurrency rate has minimum rates of 2.00% and 1.00%, respectively.

Fees on letters of credit and the daily unused availability under the revolving credit facility are 2.13% and 0.30%, respectively. At September 28, 2014, \$29.6 million of the revolving credit facility was committed for the issuance of letters of credit and not available for borrowing.

Substantially all of the assets of the Company’s domestic OSI subsidiaries collateralize the Senior Secured Credit Facility.

*Commercial Mortgage-Backed Securities Loan* - 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 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 originally 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.

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

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 London Interbank Offered Rate ("30-day LIBOR") (with a floor of 1%) plus 2.37%. The first mezzanine loan bears interest at a rate of 9.00% per annum, and the second mezzanine loan bears interest at a rate of 11.25% per annum.

*Debt Covenants and Other Restrictions* - Borrowings under the Company's debt agreements are subject to various covenants that limit the Company's ability to: incur additional indebtedness; make significant payments; sell assets; pay dividends and other restricted payments; acquire certain assets; effect mergers and similar transactions; and effect certain other transactions with affiliates. The Amended Credit Agreement also has a financial covenant to maintain a specified quarterly Total Net Leverage Ratio ("TNLR"). TNLR is the ratio of Consolidated Total Debt (Current portion of long-term debt and Long-term debt, net) to Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization and certain other adjustments). The TNLR may not exceed a level set at 5.00 to 1.00 through fiscal 2017, with a step down to a maximum level of 4.75:1.00 in fiscal 2018 and thereafter.

The 2012 CMBS Loan also requires the Company to maintain an interest rate cap ("Rate Cap") to limit the volatility of the floating rate component of the first mortgage loan within the 2012 CMBS loan. See Note 12 - *Derivative Instruments and Hedging Activities* for further information.

*Loss on Extinguishment and Modification of Debt* - In connection with the second quarter refinancing of the Senior Secured Credit Facility, the Company recognized loss on extinguishment and modification of debt of \$11.1 million for the thirty-nine weeks ended September 28, 2014. The loss was comprised of the write-off of \$5.5 million of deferred financing fees, the write-off of \$4.9 million of unamortized debt discount and a prepayment penalty of \$0.7 million.

*Deferred financing fees* - The Company deferred \$3.8 million of financing costs incurred to complete the refinancing of the Senior Secured Credit Facility, all of which was capitalized during the second quarter of 2014. These deferred financing costs are included in the line item, Other assets, net in the Consolidated Balance Sheets.

*Maturities* - Following is a summary of principal payments of the Company's total consolidated debt outstanding at September 28, 2014 (in thousands):

	<b>SEPTEMBER 28, 2014</b>
Year 1 (1)	\$ 42,385
Year 2	27,156
Year 3	475,212
Year 4	22,526
Year 5	625,000
Thereafter	227,375
<b>Total</b>	<b>\$ 1,419,654</b>

(1) Excludes unamortized discount of \$1.6 million.

The following is a summary of required amortization payments for Term loan A (in thousands):

<b>SCHEDULED QUARTERLY PAYMENT PERIOD</b>	<b>QUARTERLY PAYMENT</b>
September 30, 2014 through June 30, 2016	\$ 3,750
September 30, 2016 through June 30, 2018	\$ 5,625
September 30, 2018 through March 30, 2019	\$ 7,500

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

Since the inception of the Term loan B, OSI has made sufficient voluntary prepayments in excess of the remaining required amortization payments and, as a result, will not be required to make any further required amortization payments until the remaining balance of the loan reaches maturity in October 2019.

The Amended Credit Agreement contains mandatory prepayment requirements for Term loan A and Term loan B. Beginning with the fiscal year ended December 28, 2014, the Company is required to prepay outstanding amounts under its term loans with 50% of its annual excess cash flow, as defined in the Amended Credit Agreement. The amount of outstanding term loans required to be prepaid in accordance with the debt covenants may vary based on the Company's leverage ratio and year-end results.

#### 9. Other Long-term Liabilities, Net

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

	SEPTEMBER 28, 2014	DECEMBER 31, 2013
Accrued insurance liability	\$ 40,580	\$ 43,635
Unfavorable leases, net of accumulated amortization	51,435	54,843
PEP and Supplemental PEP obligations	94,757	109,529
Deferred gain on sale-leaseback transaction, net of accumulated amortization	35,456	36,910
Other long-term liabilities	28,267	41,869
	<u>\$ 250,495</u>	<u>\$ 286,786</u>

The Company maintains an endorsement split-dollar insurance policy with a death benefit of \$5.0 million for one of its current executive officers. The Company is the beneficiary of the policy to the extent of premiums paid or the cash value, whichever is greater, with the remaining death benefit being paid to personal beneficiaries designated by the executive officer.

During the thirty-nine weeks ended September 28, 2014 and the nine months ended September 30, 2013, the Company terminated the split-dollar agreements with certain of its former executive officers in exchange for aggregate cash payments of \$2.0 million and \$4.7 million, respectively. Upon termination, the release of the death benefit and related liabilities, net of the associated cash termination payment, resulted in net gains of \$1.9 million during the thirty-nine weeks ended September 28, 2014 and \$4.1 million during the nine months ended September 30, 2013, respectively. The net gains were recorded in General and administrative in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

At September 28, 2014 and December 31, 2013, the Company had \$1.1 million and \$5.0 million, respectively, recorded in Other long-term liabilities, net in its Consolidated Balance Sheets for the outstanding obligations under the endorsement split-dollar insurance policies.

#### 10. Redeemable Noncontrolling Interests

The Company consolidates subsidiaries in Brazil and China, each of which have noncontrolling interests that are permitted to deliver subsidiary shares in exchange for cash at a future date. Redeemable noncontrolling interests are classified in Mezzanine equity in the Company's Consolidated Balance Sheet.

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued**

The following table presents a rollforward of Redeemable noncontrolling interests for the thirty-nine weeks ended September 28, 2014 (in thousands):

	<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>
Balance, beginning of period	\$ 21,984
Net income attributable to redeemable noncontrolling interests	458
Contribution by noncontrolling shareholders	1,456
Transfer to redeemable noncontrolling interest	627
Balance, end of period	<u>\$ 24,525</u>

11. Accumulated Other Comprehensive Loss

The components of Accumulated other comprehensive loss, net of tax, are as follows (in thousands):

	<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENT</b>	<b>UNREALIZED LOSSES ON DERIVATIVES</b>	<b>ACCUMULATED OTHER COMPREHENSIVE LOSS</b>
Balances at December 31, 2013	\$ (26,418)	\$ —	\$ (26,418)
Other comprehensive income (loss)	10,969	(486)	10,483
Balances at September 28, 2014	<u>\$ (15,449)</u>	<u>\$ (486)</u>	<u>\$ (15,935)</u>

12. Derivative Instruments and Hedging Activities

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company manages economic risks, including interest rate, primarily by managing the amount, sources and duration of its debt funding and through the use of derivative financial instruments. The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps and an interest rate cap.

**DESIGNATED HEDGES**

*Cash Flow Hedges of Interest Rate Risk* - On September 9, 2014, the Company entered into variable-to-fixed interest rate swap agreements with eight counterparties to hedge a portion of the cash flows of the Company's variable rate debt. The swap agreements have an aggregate notional amount of \$400.0 million, a forward start date of June 30, 2015, and mature on May 16, 2019. Under the terms of the swap agreements, the Company will pay a weighted-average fixed rate of 2.02% on the \$400.0 million notional amount and receive payments from the counterparty based on the 30-day LIBOR rate.

The interest rate swaps, which have been designated and qualify as a cash flow hedge, are recognized on the Company's Consolidated Balance Sheets at fair value and are classified based on the instruments' maturity dates. Fair value changes in the interest rate swaps are recognized in Accumulated Other Comprehensive Loss ("AOCL") for all effective portions. Balances in AOCL are subsequently reclassified to earnings in the same period that the hedged interest payments affect earnings. The Company estimates \$1.6 million will be reclassified to interest expense over the next twelve months.

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued**

The following table presents the fair value of the Company's interest rate swaps as well as their classification on the Consolidated Balance Sheet (in thousands):

	SEPTEMBER 28, 2014	CONSOLIDATED BALANCE SHEET CLASSIFICATION
Interest rate swaps - asset	\$ 243	Other assets, net
Total fair value of derivative instruments - assets (1)	\$ 243	

  

	SEPTEMBER 28, 2014	CONSOLIDATED BALANCE SHEET CLASSIFICATION
Interest rate swaps - liability	\$ 1,040	Accrued and other current liabilities
Total fair value of derivative instruments - liability (1)	\$ 1,040	

(1) See Note 13 - *Fair Value Measurements* for fair value discussion of the interest rate swaps.

Any ineffective portion of the change in the fair value of derivatives is recognized directly in the Statements of Consolidated Operations and Comprehensive Income. During the thirteen and thirty-nine weeks ended September 28, 2014, the Company did not recognize any gain or loss as a result of hedge ineffectiveness.

At September 28, 2014, no interest expense related to the interest rate swaps is accrued in the Consolidated Balance Sheets or recognized in the Consolidated Statements of Operations and Comprehensive (Loss) Income as the interest rate swaps are not effective until June 30, 2015.

The following table summarizes the effects of the interest rate swap on the Consolidated Statements of Operations and Comprehensive (Loss) Income for the thirteen and thirty-nine weeks ended September 28, 2014 (in thousands):

DERIVATIVES DESIGNATED AS CASH FLOW HEDGING INSTRUMENTS	AMOUNT OF (LOSS) GAIN RECOGNIZED IN OTHER COMPREHENSIVE INCOME
Interest rate swaps	\$ (797)
Income tax benefit	311
Net of income taxes	\$ (486)

The Company records its derivatives on the Consolidated Balance Sheets on a gross balance basis. The Company's derivatives are subject to master netting arrangements. At September 28, 2014, the Company did not have more than one derivative between the same counterparties and as such, there was no netting.

By utilizing the interest rate swaps, the Company is exposed to credit-related losses in the event that the counterparty fails to perform under the terms of the derivative contract. To mitigate this risk, the Company enters into derivative contracts with major financial institutions based upon credit ratings and other factors. The Company continually assesses the creditworthiness of its counterparties. At September 28, 2014, all counterparties to the interest rate swaps had performed in accordance with their contractual obligations.

The Company has agreements with each of its derivative counterparties that contain a provision where the Company could be declared in default on its derivative obligations if the repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on indebtedness.

At September 28, 2014, the fair value of the Company's derivatives in a net liability position, excluding any adjustment for nonperformance risk, was \$0.9 million. At September 28, 2014, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions at September 28, 2014, it could have been required to settle its obligations under the agreements at their termination value of \$0.9 million.

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued**

NON-DESIGNATED HEDGES

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings.

*Interest Rate Cap* - The Company is required to maintain an interest Rate Cap to limit the volatility of the floating rate component of the first mortgage loan within the 2012 CMBS loan. In April 2014, the Company's Rate Cap expired. In connection with the expiration of the Rate Cap, the Company entered into a replacement rate cap ("Replacement Rate Cap"), with a notional amount of \$48.7 million. Under the Replacement Rate Cap, if the 30-day LIBOR rate exceeds 7.00% per annum, the counterparty must pay to the Company such excess on the notional amount of the floating rate component. The Replacement Rate Cap expires in April 2016. Changes in the fair value of the Replacement Rate Cap were nominal for the thirteen and thirty-nine weeks ended September 28, 2014 and the three and nine months ended September 30, 2013.

13. Fair Value Measurements

Fair value is the price that would be received for an asset or paid to transfer a liability, or the exit price, in an orderly transaction between market participants on the measurement date. Fair value is categorized into one of following three levels based on the lowest level of significant input:

Level 1	Unadjusted quoted market prices in active markets for identical assets or liabilities
Level 2	Observable inputs available at measurement date other than quoted prices included in Level 1
Level 3	Unobservable inputs that cannot be corroborated by observable market data

*Fair Value Measurements on a Recurring Basis* - The following table presents the Company's fixed income, money market funds and derivative instruments measured at fair value on a recurring basis at September 28, 2014 and December 31, 2013, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	SEPTEMBER 28, 2014			DECEMBER 31, 2013		
	TOTAL	LEVEL 1	LEVEL 2	TOTAL	LEVEL 1	LEVEL 2
<b>Assets:</b>						
Cash equivalents:						
Fixed income funds	\$ 6,088	\$ 6,088	\$ —	\$ 9,849	\$ 9,849	\$ —
Money market funds	9,498	9,498	—	1,988	1,988	—
Restricted cash equivalents:						
Money market funds	358	358	—	68	68	—
Other assets, net:						
Derivative instruments	243	—	243	—	—	—
Total asset recurring fair value measurements	<u>\$ 16,187</u>	<u>\$ 15,944</u>	<u>\$ 243</u>	<u>\$ 11,905</u>	<u>\$ 11,905</u>	<u>\$ —</u>
<b>Liabilities:</b>						
Accrued and other current liabilities:						
Derivative instruments	\$ 1,040	\$ —	\$ 1,040	\$ —	\$ —	\$ —
Total liability recurring fair value measurements	<u>\$ 1,040</u>	<u>\$ —</u>	<u>\$ 1,040</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued**

Fair value of each class of financial instrument is determined based on the following:

<b>FINANCIAL INSTRUMENT</b>	<b>METHODS AND ASSUMPTIONS</b>
Fixed income funds and Money market funds	Carrying value approximates fair value because maturities are less than three months.
Derivative instruments	Derivative instruments primarily relate to the interest rate swaps and interest rate cap. Fair value measurements are based on a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives and uses observable market-based inputs, including interest rate curves and credit spreads. The Company incorporates credit valuation adjustments to reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. At September 28, 2014, the Company has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives.

*Fair Value Measurements on a Nonrecurring Basis* - Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to property, fixtures and equipment, goodwill and other intangible assets, which are remeasured when carrying value exceeds fair value. The following tables summarize the fair value remeasurements for Assets held for sale and Property, fixtures and equipment for the thirteen and thirty-nine weeks ended September 28, 2014 aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	<b>THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014</b>		<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>	
	<b>CARRYING VALUE AT SEPTEMBER 28, 2014</b>	<b>TOTAL IMPAIRMENT</b>	<b>CARRYING VALUE AT SEPTEMBER 28, 2014</b>	<b>TOTAL IMPAIRMENT</b>
Assets held for sale (1)	\$ 24,773	\$ 16,588	\$ 24,773	\$ 16,588
Property, fixtures and equipment (2)	1,213	12,146	4,164	12,628
	<u>\$ 25,986</u>	<u>\$ 28,734</u>	<u>\$ 28,937</u>	<u>\$ 29,216</u>

- (1) Carrying value approximates fair value with all assets measured using Level 2 inputs. Refer to Note 3 - *Impairments and Disposals* for discussion of impairments related to corporate airplanes and Roy's.
- (2) Carrying value approximates fair value with all assets measured using Level 2 inputs for the thirteen weeks ended September 28, 2014 and \$3.5 million and \$0.6 million measured using Level 2 and Level 3 inputs, respectively, for the thirty-nine weeks ended September 28, 2014. Refer to Note 3 - *Impairments and Disposals* for discussion of impairments related to restaurant closure initiatives.

The Company did not record any material impairment charges as a result of fair value measurements on a nonrecurring basis during the three and nine months ended September 30, 2013.

The Company used a third-party market appraisal (Level 2) and discounted cash flow models (Level 3) to estimate the fair value of the long-lived assets included in the table 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.

*Interim Disclosures about Fair Value of Financial Instruments* - The Company's non-derivative financial instruments at September 28, 2014 and December 31, 2013 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.



**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued**

Debt is carried at amortized cost; however, the Company estimates the fair value of debt for disclosure purposes. The following table includes the carrying value and fair value of the Company's debt at September 28, 2014 and December 31, 2013 aggregated by the level in the fair value hierarchy in which those measurements fall (in thousands):

	SEPTEMBER 28, 2014			DECEMBER 31, 2013		
	CARRYING VALUE	FAIR VALUE		CARRYING VALUE	FAIR VALUE	
		LEVEL 2	LEVEL 3		LEVEL 2	LEVEL 3
Senior Secured Credit Facility:						
Term loan A	\$ 300,000	\$ 299,250	\$ —	\$ —	\$ —	\$ —
Term loan B	225,000	223,875	—	935,000	936,169	—
Revolving credit facility	415,000	411,888	—	—	—	—
CMBS loan:						
Mortgage loan	301,859	—	312,040	311,644	—	318,787
First mezzanine loan	85,392	—	85,452	86,131	—	86,131
Second mezzanine loan	86,240	—	87,163	86,704	—	87,571
Other notes payable	3,066	—	2,922	6,186	—	5,912

Fair value of debt is determined based on the following:

DEBT FACILITY	METHODS AND ASSUMPTIONS
Senior Secured Credit Facility	Quoted market prices in inactive markets.
CMBS loan	Assumptions derived from current conditions in the real estate and credit markets, changes in the underlying collateral and expectations of management.
Other notes payable	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.

14. Taxes

*Income Taxes* - The effective income tax rates for the thirteen and thirty-nine weeks ended September 28, 2014 were 27.5% and 24.1%, respectively, compared to (0.8)% and (25.0)% for the three and nine months ended September 30, 2013, respectively. The increase in the effective income tax rate for the thirteen weeks ended September 28, 2014 was primarily due to a change in the blend of taxable income and tax rates across the Company's domestic and international subsidiaries.

The increase in the effective income tax rate for the thirty-nine weeks ended September 28, 2014 was primarily due to the release of the domestic valuation allowance in the second quarter of 2013 and a change in the blend of income and tax rates across the Company's domestic and international subsidiaries.

The effective income tax rates for the thirteen and thirty-nine weeks ended September 28, 2014 were lower than the blended federal and state statutory rate of 39.0% primarily due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips offset by the impact of foreign taxes on the Company's international operations. The effective income tax rates for the three and nine months ended September 30, 2013 were lower than the blended federal and state statutory rate of 39.1% primarily due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips, the release of the domestic valuation allowance, the elimination of noncontrolling interest and the impact of foreign taxes on the Company's international operations.

At September 28, 2014 and December 31, 2013, the Company had \$15.9 million and \$17.1 million, respectively, of unrecognized tax benefits. Additionally, the Company had \$2.2 million and \$2.1 million, respectively, of interest and penalties related to uncertain tax positions at September 28, 2014 and December 31, 2013. Of the total amount of

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued**

unrecognized tax benefits, including accrued interest and penalties, \$16.5 million and \$17.2 million as of September 28, 2014 and December 31, 2013, respectively, if recognized, would impact the Company's effective income tax rate. The difference between the total amount of unrecognized tax benefits and the amount that would impact the effective income tax rate consists of items that are offset by deferred income tax assets and the federal income tax benefit of state income tax items.

The Company is currently under income tax examination by the Internal Revenue Service ("IRS") for the year ended December 31, 2011. The Company is currently open to audit under the statute of limitations for the years ended December 31, 2007 through 2013. The Company and its subsidiaries' state income tax returns are open to audit under the statute of limitations for the years ended December 31, 2001 through 2013. The Company and its subsidiaries' foreign income tax returns are open to audit under the statute of limitations for the years ended December 31, 2007 through 2013.

*Payroll Taxes* - The Company is currently under payroll tax examination by the IRS. In 2013, the IRS informed the Company that it proposed to issue an audit adjustment for the employer's share of FICA taxes related to cash tips allegedly received and unreported by the Company's tipped employees during calendar year 2010. The cash tips allegedly unreported by the tipped employees were based on an IRS estimate of the aggregate amount of tips directly received by tipped employees from the Company's customers.

In March 2014, the IRS issued a final audit adjustment of \$5.0 million to the Company for the employer's share of FICA taxes related to cash tips unreported by the Company's employees during calendar year 2010. The Company remitted payment to the IRS in April 2014 to settle the calendar year 2010 audit adjustment.

Subsequently, the IRS indicated that the scope of the proposed adjustment would expand to include the 2011 and 2012 periods. In July 2014, the Company received a notice from the IRS regarding commencement of the 2011 payroll tax audit. At September 28, 2014, the Company had \$12.0 million recorded in Accrued and other current liabilities in the Company's Consolidated Balance Sheet for the payroll tax audits. In addition, a deferred income tax benefit was recorded for the allowable income tax credits for the payroll audit. As a result of the associated income tax benefit the recognition of the liability had no impact on net income.

15. Commitments and Contingencies

On October 4, 2013, two then current employees (the "Nevada Plaintiffs") filed a purported collective action lawsuit against the Company, OSI, and two of its subsidiaries in the U.S. District Court for the District of Nevada (Cardoza, et al. v. Bloomin' Brands, Inc., et al., Case No.: 2:13-cv-01820-JAD-NJK). The complaint alleges violations of the Fair Labor Standards Act by requiring employees to work off the clock, complete on-line training without pay, and attend meetings in the restaurant without pay. The suit seeks to certify a nationwide collective action that all hourly employees in all Outback Steakhouse restaurants would be permitted to join. The suit seeks an unspecified amount in back pay for the employees that join the lawsuit, an equal amount in liquidated damages, costs, expenses, and attorney's fees. The Nevada Plaintiffs also filed a companion lawsuit in Nevada state court alleging that the Company violated the state break time rules. On October 27, 2014 the Court conditionally certified a class for notice purposes consisting of all employees that worked at a company-owned Outback Steakhouse between October 27, 2011 and October 27, 2014. After notice and discovery, the Company intends to move to decertify the class. The Company believes these lawsuits are without merit, and is vigorously defending all allegations. However, the Company is unable to predict the outcome of this case.

On November 8, 2013, three employees of the Company's franchisee (collectively, the "California Plaintiffs") filed a purported class action lawsuit against the Company, OSI and OS Restaurant Services, LLC, two of its subsidiaries, and T-Bird Restaurant Group, Inc. ("T-Bird"), one of its franchisees in the California Superior Court, County of Alameda. The defendants removed the matter to the U.S. District Court for the Northern District of California in December 2013

**BLOOMIN' BRANDS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) - Continued**

(Holly Gehl, et al. v. Bloomin' Brands, Inc., et al., Case No.: 4:13-cv-05961-KAW). The complaint alleges, among other things, violations of the California Labor Code, failure to pay overtime, failure to provide meal and rest periods and termination compensation, and violations of California's Business and Professions Code. The complaint seeks, among other relief, class certification of the lawsuit, unspecified damages, costs and expenses, including attorney's fees, and such other relief as the Court determines to be appropriate. The Company does not believe the California Plaintiffs have any standing to bring claims against the Company or its subsidiaries as all were employed by the Company's franchisee.

16. Recently Issued Financial Accounting Standards

In August 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-15: "Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU No. 2014-15"). ASU No. 2014-15 will explicitly require management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The new standard is applicable for all entities and will be effective for the Company on December 25, 2016. The Company does not expect ASU No. 2014-15 to have a material impact to its financial position, results of operations and cash flows.

In May 2014, the FASB issued ASU No. 2014-09 "Revenue Recognition (Topic 606), Revenue from Contracts with Customers" ("ASU No. 2014-09"). ASU No. 2014-09 provides a single source of guidance for revenue arising from contracts with customers and supersedes current revenue recognition standards. Under ASU No. 2014-09, revenue is recognized in an amount that reflects the consideration an entity expects to receive for the transfer of goods and services. ASU No. 2014-09 will be effective for the Company on December 26, 2016 and is applied retrospectively to each period presented or as a cumulative effect adjustment at the date of adoption. The Company has not selected a transition method and is evaluating the impact this guidance will have on its financial position, results of operations and cash flows.

In April 2014, the FASB issued ASU No. 2014-08 "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU No. 2014-08"). ASU No. 2014-08 changes the criteria for reporting and revises the definition of discontinued operations while enhancing disclosures in this area. Additional disclosure requirements for discontinued operations and new disclosures for individually material disposal transactions that do not meet the revised definition of a discontinued operation will be applicable. The Company elected to early adopt ASU No. 2014-08 in the third quarter of fiscal 2014. Accordingly, the Roy's concept was accounted for as a disposal as it did not represent a strategic shift in the Company's operations. See Note 3 - *Impairments and Disposals* regarding the Roy's disposal.

Recent accounting guidance not discussed above is not applicable, did not have, or is not expected to have a material impact to the Company.

**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. and its subsidiaries.

**Cautionary Statement**

This Quarterly Report on Form 10-Q (the "Report") 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 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," "seeks," "forecasts," "projects," "intends," "plans," "may," "will," "should," "could" or "would" or, in each case, their negative or other variations or comparable terminology, although not all forward-looking statements contain these identifying words. 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. 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. Important factors that could cause actual results to differ materially from statements made or suggested by forward-looking statements include, but are not limited to, the following:

- (i) The restaurant industry is a highly competitive industry with many well-established competitors;
- (ii) Our results can be impacted by local, regional, national and international economic and political conditions; patterns of customer traffic and our ability to effectively respond in a timely manner to changes in patterns of customer traffic; changes in consumer tastes and the level of consumer acceptance of our restaurant concepts (including consumer tolerance of our prices); the seasonality of our business; demographic trends; changes in consumer dietary habits; product mix; employee availability; the cost of advertising and media; the timing of restaurant operating expenses; government actions and policies; inflation or deflation; unemployment rates; interest rates; foreign exchange rates; and increases in various costs, including construction, real estate and health insurance costs;
- (iii) Commodities, including but not limited to, beef, chicken, shrimp, pork, seafood, dairy, produce, potatoes, onions and energy supplies, are subject to fluctuation in price and availability, and prices and other costs of our operations could increase more than we expect;
- (iv) 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

**BLOOMIN' BRANDS, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

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;

- (v) 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; our 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;
- (vi) Weather, natural disasters and other disasters could result in construction delays or slower customer traffic and could adversely affect the results of one or more restaurants for an indeterminate amount of time;
- (vii) Our results can be negatively impacted by the effects of acts of war; periods of widespread civil unrest; actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, or other military action affecting countries in which we do business and by the effects of heightened security requirements on local, regional, national, or international economies or consumer confidence;
- (viii) 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;
- (ix) Our results can be impacted by anticipated or unanticipated changes in our tax rates, exposure to additional income tax liabilities and a change in our ability to realize deferred tax benefits;
- (x) Minimum wage increases and mandated employee benefits could cause a significant increase in our labor costs;
- (xi) Our results can be impacted by consumer reaction to public health issues and perception of food safety;
- (xii) We could face liabilities if we are unable to protect our information technology systems or experience an interruption or breach of security that could prevent us from effectively operating our business, protecting customer credit and debit card data or personal employee information; and
- (xiii) 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.

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.

*Note: Numerical figures included in this Report have been subject to rounding adjustments.*

**BLOOMIN' BRANDS, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

**Overview**

We are one of the largest casual dining restaurant companies in the world with a portfolio of leading, differentiated restaurant concepts. As of September 28, 2014, we owned and operated 1,349 restaurants and franchised 162 restaurants across 48 states, Puerto Rico, Guam and 20 countries. 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, highly 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. In September 2014, we reclassified the assets and liabilities of Roy's to held for sale as we plan to exit the Roy's business within a one-year period.

The restaurant industry is a highly competitive and fragmented industry and is sensitive to changes in the economy, trends in lifestyles, seasonality (customer traffic 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, labor and fluctuations in prices of commodities, including beef, chicken, seafood, butter, cheese and produce, and other costs to operate a restaurant, such as rent, natural gas or utilities. Restaurant companies tend to be focused on increasing market share, comparable restaurant sales growth and new unit growth. Competitive pressure for market share, commodity 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. 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.

Our strategic plan and operating model entails maintaining an experienced executive management team and adapting practices from the consumer products and retail industries to complement our restaurant acumen and enhance our brand management, analytics and innovation. This 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. In addition, we believe that substantial development opportunities remain for our concepts in the U.S. and internationally.

We continue to balance near-term growth in market share with investments to achieve sustainable growth. In 2014, our key growth strategies, which are enabled by continued improvements in infrastructure and organizational effectiveness include:

- *Grow Comparable Restaurant Sales.* We plan to continue to remodel our restaurants, use limited-time offers and multimedia marketing campaigns to drive traffic, selectively expand the lunch daypart and introduce innovative menu items, including through extensive menu refresh initiatives at Carrabba's Italian Grill and Bonefish Grill, that match evolving consumer preferences.
- *Pursue New Domestic Development Opportunities with Strong Unit Level Economics.* We believe that a substantial development opportunity remains for our concepts in the U.S. Our top domestic development priority is Bonefish Grill unit growth. We expect to open between 55 and 60 system-wide locations in 2014 of which we expect approximately 50% will be domestic opportunities.

**BLOOMIN' BRANDS, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

- *Pursue New Strategic International Development in Selected Markets.* We believe the international business represents a significant growth opportunity and that we are well-positioned to continue to expand outside the U.S. We continue to focus on existing geographic regions in Latin America and Asia, with strategic expansion in selected emerging and high growth developed markets. We are focusing our existing market growth in Brazil and new market growth in China. We expect that approximately 50% of our new units in 2014 will be international opportunities, but will shift to a higher weight of international units as we continue to implement our international expansion plans.

To further development opportunities outside the U.S., we amended our royalty agreement with the Carrabba's Founders. The amendment became effective June 1, 2014 and provides that no continuing royalty fee will be paid to the founders for Carrabba's restaurants located outside the United States. Each Carrabba's restaurant located outside the United States will pay a one-time lump sum royalty fee, which varies depending on the size of the restaurant. We plan to expand Carrabba's Italian Grill in Brazil, with the first opening expected in 2015.

The combination of macro-economic and other factors have put considerable pressure on sales in the casual dining industry both domestically and in our South Korea market.

- Domestically, the ongoing impacts of high unemployment or underemployment, continued reduced access to credit, governmental spending and budget matters, other national, regional and local regulatory and economic conditions, reduced disposable consumer income and consumer confidence have had a negative effect on discretionary consumer spending.
- In our South Korea market, higher levels of household debt have impacted discretionary consumer spending, particularly in the casual dining environment. As a result of macro-economic conditions, an increasingly competitive market and other factors, we decided to close 36 underperforming international locations, primarily in South Korea. We expect to substantially complete these restaurant closings during the fourth quarter of 2014 and the first quarter of 2015.

We anticipate the restaurant closings in South Korea will promote a more efficient cost structure and allow us to maintain current levels of profitability in a continued declining market. As a result of these actions, we believe that we have significantly reduced the operational risk and financial impact related to our South Korea operations.

As the macro-economic and other conditions persist domestically and in our South Korea market, we will continue to face increased pressure with respect to our pricing, traffic levels and commodity costs. We believe that in this environment, we need to maintain our focus on value and innovation as well as refreshing our restaurant base to continue to drive sales.

**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;
- *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;

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

- *System-wide sales*—total restaurant sales volume for all Company-owned and franchise restaurants and, in historical periods, unconsolidated joint venture restaurants, regardless of ownership, to interpret the overall health of our brands;
- *Adjusted restaurant-level operating margin, Adjusted income from operations, Adjusted net income, Adjusted diluted earnings per share, EBITDA and Adjusted EBITDA*—non-GAAP financial measures utilized to evaluate our operating performance, and for which definitions, usefulness and reconciliations are described in more detail in the “Non-GAAP Financial Measures” section below; and
- *Customer satisfaction scores*—measurement of our customers’ experiences in a variety of key attributes.

**Change in Fiscal Year End**

On January 3, 2014, our Board of Directors approved a change in our fiscal year end from a calendar year ending on December 31 to a 52-53 week year ending on the last Sunday in December, effective beginning with fiscal year 2014. We believe the change in our fiscal year end provides numerous benefits, including aligning our reporting periods to be more consistent with peer restaurant companies and improving comparability between periods by removing the trading day effect on Restaurant sales and operating margins. We will continue reporting our Brazil operations, on a calendar-based one-month lag. All other international operations will be reported on a 52-53 week reporting period contemporaneously with the domestic operations.

We made the fiscal year change on a prospective basis and have not adjusted operating results for prior periods. The change impacts the prior year comparability of our fiscal quarters and annual period in 2014 and will result in shifts in the quarterly periods, which will have an impact on our quarterly financial results. The thirteen weeks ended September 28, 2014 included one less operating day than the comparable prior year period and we estimate that the associated impact was a reduction of approximately \$6.9 million and \$1.4 million of Restaurant sales and Net (loss) income attributable to Bloomin’ Brands, respectively. The thirty-nine weeks ended September 28, 2014 included two less operating days than the comparable prior year period and we estimate that the impact was a reduction of approximately \$14.4 million and \$2.9 million of Restaurant sales and Net (loss) income attributable to Bloomin’ Brands, respectively.

The impact of the change in the reporting periods for fiscal year 2014 is as follows:

<b>FISCAL PERIOD</b>	<b>2014 REPORTING PERIOD</b>	<b>2014 FISCAL PERIOD DAYS</b>	<b>COMPARABLE 2013 FISCAL PERIOD DAYS</b>	<b>FISCAL YEAR CHANGE IMPACT (in operating days)</b>
First fiscal quarter	January 1, 2014 to March 30, 2014	89	90	(1)
Second fiscal quarter	March 31, 2014 to June 29, 2014	91	91	—
Third fiscal quarter	June 30, 2014 to September 28, 2014	91	92	(1)
Fourth fiscal quarter	September 29, 2014 to December 28, 2014	91	92	(1)
Fiscal year	January 1, 2014 to December 28, 2014	362	365	(3)



**BLOOMIN' BRANDS, INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued****Selected Operating Data**

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

	SEPTEMBER 28, 2014	SEPTEMBER 30, 2013
Number of restaurants (at end of the period):		
Outback Steakhouse		
Company-owned—domestic	648	664
Company-owned—international (1) (2)	176	119
Franchised—domestic	105	106
Franchised and joint venture—international (1) (2)	51	94
Total	<u>980</u>	<u>983</u>
Carrabba's Italian Grill		
Company-owned	243	237
Franchised	1	1
Total	<u>244</u>	<u>238</u>
Bonefish Grill		
Company-owned	196	181
Franchised	5	7
Total	<u>201</u>	<u>188</u>
Fleming's Prime Steakhouse and Wine Bar		
Company-owned	66	65
Roy's		
Company-owned	20	21
System-wide total	<u>1,511</u>	<u>1,495</u>

(1) Effective November 1, 2013, we acquired a controlling interest in the Brazilian Joint Venture resulting in the consolidation and reporting of 47 restaurants (as of the acquisition date) as Company-owned locations, which are reported as unconsolidated joint venture locations in the historical period presented.

(2) The restaurant count for Brazil is reported as of August 31, 2014 to correspond with the balance sheet date of this subsidiary and, therefore, excludes three restaurants that opened in September 2014. Restaurant counts for our Brazil operations were reported as of September 30<sup>th</sup> in the historical period presented.

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.

**BLOOMIN' BRANDS, INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**
**Results of Operations**

The following table sets forth, for the periods indicated, percentages that items in our Consolidated Statements of Operations and Comprehensive (Loss) Income are in relation to Total revenues or Restaurant sales, as indicated:

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
<b>Revenues</b>				
Restaurant sales	99.4 %	99.0 %	99.4 %	99.0 %
Other revenues	0.6	1.0	0.6	1.0
Total revenues	100.0	100.0	100.0	100.0
<b>Costs and expenses</b>				
Cost of sales (1)	32.9	33.2	32.6	32.6
Labor and other related (1)	27.9	28.6	27.4	28.2
Other restaurant operating (1)	25.4	25.7	23.9	23.5
Depreciation and amortization	4.6	4.1	4.3	3.9
General and administrative	7.1	6.4	6.7	6.5
Provision for impaired assets and restaurant closings	2.7	*	1.1	0.1
Income from operations of unconsolidated affiliates	—	(0.2)	—	(0.2)
Total costs and expenses	100.1	97.0	95.5	93.7
(Loss) income from operations	(0.1)	3.0	4.5	6.3
Loss on extinguishment and modification of debt	—	—	(0.3)	(0.5)
Other income (expense), net	*	*	*	(*)
Interest expense, net	(1.3)	(1.7)	(1.4)	(1.8)
(Loss) income before (benefit) provision for income taxes	(1.4)	1.3	2.8	4.0
(Benefit) provision for income taxes	(0.4)	(*)	0.6	(1.0)
Net (loss) income	(1.0)	1.3	2.2	5.0
Less: net income attributable to noncontrolling interests	0.1	0.1	0.1	0.1
Net (loss) income attributable to Bloomin' Brands	(1.1)%	1.2 %	2.1 %	4.9 %
Net (loss) income	(1.0)%	1.3 %	2.2 %	5.0 %
<b>Other comprehensive (loss) income:</b>				
Foreign currency translation adjustment	(0.3)	1.1	0.3	(0.1)
Unrealized losses on derivatives, net of tax	(*)	—	(*)	—
Comprehensive (loss) income	(1.3)	2.4	2.5	4.9
Less: comprehensive income attributable to noncontrolling interests	0.1	0.1	0.1	0.1
Comprehensive (loss) income attributable to Bloomin' Brands	(1.4)%	2.3 %	2.4 %	4.8 %

(1) As a percentage of Restaurant sales.

\* Less than 1/10<sup>th</sup> of one percent of Total revenues.

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

Following is a summary of the changes in restaurants sales for the thirteen and thirty-nine weeks ended September 28, 2014:

<b>(dollars in millions):</b>	<b>THIRTEEN WEEKS ENDED</b>	<b>THIRTY-NINE WEEKS ENDED</b>
For the period ended September 30, 2013	\$ 957.5	\$ 3,047.9
Change from:		
Brazil acquisition (1)	72.1	211.6
Restaurant openings	32.6	99.7
Comparable restaurant sales	19.1	8.0
Restaurant closings	(15.2)	(38.6)
Change in fiscal year	(6.9)	(14.4)
For the period ended September 28, 2014	\$ 1,059.2	\$ 3,314.2

(1) Includes restaurant sales for the 47 formerly unconsolidated joint venture restaurants in Brazil that were acquired November 1, 2013. Sales for restaurants opened in Brazil after November 1, 2013, are included in restaurant openings.

The increase in Restaurant sales in the thirteen weeks ended September 28, 2014 was primarily attributable to: (i) the consolidation of restaurant sales generated by restaurants in Brazil that were acquired November 1, 2013, (ii) the opening of 70 new restaurants not included in our comparable restaurant sales base and (iii) an increase in domestic comparable restaurant sales at our existing restaurants. The increase in restaurant sales was partially offset by: (i) the closing of 34 restaurants since June 30, 2013, (ii) lower comparable restaurant sales in South Korea and (iii) one less operating day due to a change in our fiscal year-end.

For the thirty-nine weeks ended September 28, 2014, the increase in Restaurant sales was primarily attributable to: (i) the consolidation of restaurant sales generated by restaurants in Brazil that were acquired November 1, 2013, (ii) the opening of 87 new restaurants not included in our comparable restaurant sales base and (iii) an increase in domestic comparable restaurant sales at our existing restaurants. The increase in restaurant sales was partially offset by: (i) the closing of 38 restaurants since December 31, 2012, (ii) lower comparable restaurant sales in South Korea and (iii) two less operating days due to a change in our fiscal year-end.

**BLOOMIN' BRANDS, INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued***Comparable Domestic Restaurant Sales and Menu Price Increases*

Following is a summary of comparable domestic restaurant sales and domestic general menu price increases:

	<b>THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>THREE MONTHS ENDED SEPTEMBER 30, 2013</b>	<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>NINE MONTHS ENDED SEPTEMBER 30, 2013</b>
<b>Comparable restaurant sales (stores open 18 months or more):</b>				
Outback Steakhouse	4.8 %	(0.3)%	2.1 %	1.7 %
Carrabba's Italian Grill	(1.2)%	— %	(1.4)%	(0.5)%
Bonefish Grill	2.6 %	(2.7)%	0.5 %	(0.5)%
Fleming's Prime Steakhouse and Wine Bar	4.8 %	4.2 %	3.1 %	4.4 %
Combined (concepts above)	3.3 %	(0.3)%	1.3 %	1.2 %
<b>Year over year percentage change:</b>				
<b>Menu price increases: (1)</b>				
Outback Steakhouse	3.3 %	2.7 %	2.6 %	2.5 %
Carrabba's Italian Grill	2.8 %	2.9 %	2.7 %	2.2 %
Bonefish Grill	3.0 %	2.1 %	2.8 %	2.0 %
Fleming's Prime Steakhouse and Wine Bar	2.2 %	4.5 %	3.5 %	3.2 %

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

Our comparable domestic restaurant sales represent the growth from restaurants opened 18 months or more. For the thirteen weeks ended September 28, 2014, blended domestic comparable restaurant sales increased due to increases in general menu prices and traffic. Customer traffic increases were driven primarily by lunch expansion and promotions.

For the thirty-nine weeks ended September 28, 2014, blended domestic comparable restaurant sales increased due to increases in general menu prices offset by changes in the mix in our product sales and decreases in customer traffic. Changes in product mix were due to lunch expansion and promotions. Customer traffic decreased primarily due to unfavorable winter weather conditions and continuing macro-economic conditions that have had a negative effect on discretionary consumer spending, partially offset by lunch expansion across certain concepts.

**BLOOMIN' BRANDS, INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**
*Average Domestic Restaurant Unit Volumes and Operating Weeks*

Following is a summary of the domestic average restaurant unit volumes and operating weeks:

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Average restaurant unit volumes (weekly):				
Outback Steakhouse	\$ 61,790	\$ 58,069	\$ 64,441	\$ 62,491
Carrabba's Italian Grill	\$ 53,565	\$ 54,132	\$ 57,495	\$ 58,085
Bonefish Grill	\$ 57,785	\$ 55,699	\$ 61,888	\$ 60,927
Fleming's Prime Steakhouse and Wine Bar	\$ 69,594	\$ 66,254	\$ 78,213	\$ 75,515
Operating weeks:				
Outback Steakhouse	8,433	8,721	25,263	25,882
Carrabba's Italian Grill	3,132	3,104	9,307	9,155
Bonefish Grill	2,525	2,347	7,451	6,807
Fleming's Prime Steakhouse and Wine Bar	858	854	2,553	2,535

**COSTS AND EXPENSES**
*Cost of sales*

(dollars in millions):	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	Change	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013	Change
Cost of sales	\$ 348.3	\$ 317.6		\$ 1,080.8	\$ 993.0	
% of Restaurant sales	32.9%	33.2%	(0.3)%	32.6%	32.6%	—%

Cost of sales, consisting of food and beverage costs, decreased as a percentage of Restaurant sales in the thirteen weeks ended September 28, 2014 as compared to the three months ended September 30, 2013. The decrease as a percentage of Restaurant sales was primarily due to: (i) 0.9% from the impact of certain cost savings initiatives and (ii) 0.7% from menu price increases. These decreases were partially offset by increases as a percentage of Restaurant sales primarily due to: (i) 0.7% related to lunch, changes in our product mix and promotions and (ii) 0.6% from higher seafood and beef costs.

Cost of sales were flat as a percentage of Restaurant sales in the thirty-nine weeks ended September 28, 2014 as compared to the nine months ended September 30, 2013. Increases as a percentage of Restaurant sales were primarily due to: (i) 0.7% from higher seafood and beef costs and (ii) 0.7% related to lunch, changes in our product mix and promotions. Decreases as a percentage of Restaurant sales were due to: (i) 0.8% from the impact of certain cost savings initiatives and (ii) 0.6% from menu price increases.

*Labor and other related expenses*

(dollars in millions):	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	Change	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013	Change
Labor and other related	\$ 295.5	\$ 274.1		\$ 909.4	\$ 858.0	
% of Restaurant sales	27.9%	28.6%	(0.7)%	27.4%	28.2%	(0.8)%

**BLOOMIN' BRANDS, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

Labor and other related expenses include all direct and indirect labor costs incurred in operations, including distribution expense to managing partners, costs related to deferred compensation plans and other incentive compensation expenses. Labor and other related expenses decreased as a percentage of Restaurant sales in the thirteen weeks ended September 28, 2014 as compared to the three months ended September 30, 2013. Decreases as a percentage of Restaurant sales were primarily attributable to the following: (i) 0.6% from our acquired Brazil restaurants, primarily due to higher volumes, (ii) 0.6% from the impact of certain cost savings initiatives, (iii) 0.5% higher domestic average unit volumes; (iv) 0.5% due to recognition of a payroll tax audit contingency in the third quarter of 2013; (v) 0.4% lower field compensation due to management bonuses based on individual restaurant performance and lower managing and chef partner deferred compensation expense. These decreases were partially offset by increases as a percentage of Restaurant sales primarily attributable to: (i) 1.0% of higher kitchen and service labor costs due to lunch expansion across certain concepts and promotional training, (ii) 0.5% lower average unit volumes in South Korea and (iii) 0.4% higher health insurance costs.

Labor and other related expenses decreased as a percentage of Restaurant sales in the thirty-nine weeks ended September 28, 2014 as compared to the nine months ended September 30, 2013. Decreases as a percentage of Restaurant sales were due to: (i) 0.6% from our acquired Brazil restaurants, primarily due to higher volumes, (ii) 0.5% from the impact of certain cost savings initiatives, (iii) 0.3% higher domestic average unit volumes, (iv) 0.2% lower field management bonuses based on individual restaurant performance and (v) 0.2% due to recognition of a payroll tax audit contingency in the third quarter of 2013. These decreases were partially offset by increases as a percentage of Restaurant sales primarily attributable to: (i) 0.8% of higher kitchen and service labor costs due to lunch expansion across certain concepts and the addition of new restaurant locations and (ii) 0.4% lower average unit volumes in South Korea.

*Other restaurant operating expenses*

<b>(dollars in millions):</b>	<b>THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>THREE MONTHS ENDED SEPTEMBER 30, 2013</b>	<b>Change</b>	<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>NINE MONTHS ENDED SEPTEMBER 30, 2013</b>	<b>Change</b>
Other restaurant operating	\$ 269.5	\$ 246.2		\$ 791.3	\$ 717.5	
% of Restaurant sales	25.4%	25.7%	(0.3)%	23.9%	23.5%	0.4%

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. The decrease as a percentage of Restaurant sales in the thirteen weeks ended September 28, 2014 as compared to the three months ended September 30, 2013 was primarily due to to: (i) 0.5% from our acquired Brazil restaurants, primarily due to higher volumes, (ii) 0.4% decrease in marketing, primarily in our South Korea market, (iii) 0.3% from the impact of certain cost savings initiatives and (iv) 0.2% higher domestic average unit volumes. The decreases were partially offset by increases as a percentage of Restaurant sales primarily due to: (i) 0.6% lower average unit volumes in South Korea and (ii) 0.5% higher general liability insurance expense.

The increase as a percentage of Restaurant sales in the thirty-nine weeks ended September 28, 2014 as compared to the nine months ended September 30, 2013 was primarily due to the following: (i) 0.4% from lower average unit volumes in South Korea, (ii) 0.1% of higher restaurant occupancy costs mainly related to rent escalations from existing leases, (iii) 0.1% of higher restaurant utilities associated with new restaurant locations and lunch expansion across certain concepts, (iv) 0.1% increase in operating supplies primarily due to lunch expansion and promotions and (v) 0.1% higher general liability insurance expense. The increases were partially offset by decreases as a percentage of Restaurant sales primarily due to: (i) 0.5% from our acquired Brazil restaurants, primarily due to higher volumes and (ii) 0.1% higher domestic average unit volumes.

**BLOOMIN' BRANDS, INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued***Depreciation and amortization*

<b>(dollars in millions):</b>	<b>THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>THREE MONTHS ENDED SEPTEMBER 30, 2013</b>	<b>Change</b>	<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>NINE MONTHS ENDED SEPTEMBER 30, 2013</b>	<b>Change</b>
Depreciation and amortization	\$ 48.8	\$ 40.1		\$ 143.5	\$ 121.2	
% of Total revenues	4.6%	4.1%	0.5%	4.3%	3.9%	0.4%

Depreciation and amortization expense increased as a percentage of Total revenues in the thirteen and thirty-nine weeks ended September 28, 2014 as compared to the three and nine months ended September 30, 2013. These increases as a percentage of Total revenues were primarily due to depreciation expense related to the opening of new restaurants and the completion of internally developed technology projects combined with amortization associated with our acquired Brazil operations.

*General and administrative*

<b>(in millions):</b>	<b>THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>THREE MONTHS ENDED SEPTEMBER 30, 2013</b>	<b>Change</b>	<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>NINE MONTHS ENDED SEPTEMBER 30, 2013</b>	<b>Change</b>
General and administrative	\$ 75.4	\$ 61.8	\$ 13.6	\$ 221.7	\$ 199.4	\$ 22.3

General and administrative costs increased in the thirteen weeks ended September 28, 2014 as compared to the three months ended September 30, 2013 primarily due to the following: (i) \$5.4 million of costs associated with our Brazil operations, which were acquired in November 2013, (ii) \$4.1 million of additional severance primarily due to an organizational realignment of certain functions, (iii) \$2.6 million net decrease in the cash surrender value of life insurance investments related to our partner deferred compensation programs, (iv) \$1.7 million of additional employee stock-based compensation and (v) \$1.8 million of additional compensation primarily for new positions to support growth and initiatives. These increases were partially offset by \$1.6 million of lower incentive compensation due to performance against current year objectives.

In the thirty-nine weeks ended September 28, 2014 as compared to the nine months ended September 30, 2013, General and administrative costs increased primarily due to the following: (i) \$15.2 million of costs associated with our Brazil operations, (ii) \$4.7 million of compensation primarily due to new positions to support growth and initiatives, (iii) \$3.8 million of additional severance primarily due to an organizational realignment of certain functions, (iv) \$2.6 million of increased legal and other professional fees, (v) \$2.2 million of net gains in 2013 related to the termination of split-dollar agreements with certain of our former executive officers, (vi) \$2.1 million of additional employee stock-based compensation and (vii) \$2.0 million net decrease in the cash surrender value of life insurance investments related to our partner deferred compensation programs. These increases were partially offset by \$8.5 million of lower incentive compensation due to performance against current year objectives and \$1.8 million of lower costs associated with field compensation bonus due to restaurant performance and partner buyouts.

**BLOOMIN' BRANDS, INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued***Provision for impaired assets and restaurant closings*

(in millions):	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	Change	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013	Change
Provision for impaired assets and restaurant closings	\$ 29.1	\$ 0.1	\$ 29.0	\$ 36.2	\$ 2.7	\$ 33.5

*Restaurant Closure Initiatives* - The Company decided to close 36 underperforming international locations, primarily in South Korea. We expect to substantially complete these restaurant closings during the fourth quarter of 2014 and the first quarter of 2015. In connection with the International Restaurant Closure Initiative, we incurred pre-tax asset impairments of approximately \$11.6 million during the thirteen and thirty-nine weeks ended September 28, 2014.

As a result of the International Restaurant Closure Initiative, we expect to incur pre-tax restaurant closing costs of approximately \$19.0 million to \$29.0 million, including costs associated with lease obligations and employee terminations. We anticipate these costs will occur primarily in the fourth quarter of 2014 and the first quarter of 2015.

In the fourth quarter of 2013, we completed an assessment of our domestic restaurant base and decided to close 22 underperforming domestic locations. Approximately \$4.9 million of pre-tax restaurant closing charges were incurred during the thirty-nine weeks ended September 28, 2014, in connection with the Domestic Restaurant Closure Initiative.

*Roy's* - In September 2014, we reclassified the assets and liabilities of Roy's to held for sale as we plan to exit the Roy's business within a one-year period. In connection with the decision to sell, we recorded pre-tax impairment charges of \$6.0 million for Assets held for sale during the thirteen and thirty-nine weeks ended September 28, 2014.

*Other Disposals* - During the third quarter of 2014, we decided to sell both of our corporate airplanes. In connection with this decision, we recognized pre-tax asset impairment charges of \$10.6 million for the thirteen and thirty-nine weeks ended September 28, 2014. We anticipate the final sale and disposal of the airplanes will be completed within a one-year period. Impairment charges are recorded in Provision for impaired assets and restaurant closings in the Consolidated Statements of Operations and Comprehensive (Loss) Income.

All other restaurant impairment charges resulted from the carrying value of a restaurant's assets exceeding its estimated fair market value, primarily due to declining future cash flows from lower projected sales at existing locations and locations identified for relocation or renovation.

See Note 3 - *Impairments and Disposals* of the Notes to Consolidated Financial Statements for further information.

*Income from operations of unconsolidated affiliates*

Effective November 1, 2013, we completed the acquisition of a controlling interest in the Brazilian Joint Venture resulting in the consolidation of this entity. Prior to the acquisition, we accounted for the Brazilian Joint Venture under the equity method of accounting and our share of earnings was recorded in Income from operations of unconsolidated affiliates in our Consolidated Statements of Operations and Comprehensive (Loss) Income. The Brazilian Joint Venture's results of operations for the thirteen and thirty-nine weeks ended September 28, 2014 are reflected in the respective line items in our Consolidated Statements of Operations and Comprehensive (Loss) Income.



**BLOOMIN' BRANDS, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

*(Loss) income from operations*

<b>(dollars in millions):</b>	<b>THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>THREE MONTHS ENDED SEPTEMBER 30, 2013</b>	<b>Change</b>	<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>NINE MONTHS ENDED SEPTEMBER 30, 2013</b>	<b>Change</b>
(Loss) income from operations	\$ (1.1)	\$ 29.5		\$ 151.3	\$ 194.3	
% of Total revenues	(0.1)%	3.0%	(3.1)%	4.5%	6.3%	(1.8)%

The decrease in income from operations generated in the thirteen weeks ended September 28, 2014 as compared to the three months ended September 30, 2013 was primarily due to: (i) impairments related to the International Restaurant Closure Initiative, corporate aircraft and Roy's, (ii) lower average unit volumes at our South Korea restaurants, (iii) higher General and administrative costs and (iv) increased Depreciation and amortization expense as a percentage of revenue. These decreases were partially offset by an increase in operating margins at the restaurant level.

Income from operations decreased in the thirty-nine weeks ended September 28, 2014 as compared to the nine months ended September 30, 2013 due to: (i) impairments related to our International Restaurant Closure Initiative, corporate aircraft and Roy's and expenses related to the Domestic Restaurant Closure Initiative, (ii) lower average unit volumes at our South Korea restaurants, (iii) higher General and administrative costs and (iv) higher Depreciation and amortization as a percentage of revenue. These decreases were partially offset by an increase in operating margins at the restaurant level.

*Loss on extinguishment and modification of debt*

In connection with the refinancing of the Credit Agreement, we recognized loss on extinguishment and modification of debt of \$11.1 million for the thirty-nine weeks ended September 28, 2014. The loss was comprised of the write-off of \$5.5 million of deferred financing fees, the write-off of \$4.9 million of unamortized debt discount and a prepayment penalty of \$0.7 million.

For the nine months ended September 30, 2013, we recorded a \$14.6 million loss in connection with a repricing amendment to OSI's senior secured Term loan B facility, which included a prepayment penalty of approximately \$9.8 million, \$2.4 million of third-party financing costs and a write-off of \$1.2 million each for deferred financing fees and unamortized debt discount.

*Interest expense, net*

<b>(in millions):</b>	<b>THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>THREE MONTHS ENDED SEPTEMBER 30, 2013</b>	<b>Change</b>	<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>NINE MONTHS ENDED SEPTEMBER 30, 2013</b>	<b>Change</b>
Interest expense, net	\$ 13.8	\$ 17.7	\$ (3.9)	\$ 45.5	\$ 56.6	\$ (11.1)

The decrease in net interest expense in the thirteen weeks ended September 28, 2014 as compared to the three months ended September 30, 2013 was primarily attributable to the refinancing of the Senior Secured Credit Facilities in May 2014.

Net interest expense in the thirty-nine weeks ended September 28, 2014 as compared to the nine months ended September 30, 2013 decreased primarily due to the repricing and refinancing of the Senior Secured Credit Facilities in April 2013 and May 2014, respectively.

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

*(Benefit) provision for income taxes*

	<b>THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>THREE MONTHS ENDED SEPTEMBER 30, 2013</b>	<b>Change</b>	<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>NINE MONTHS ENDED SEPTEMBER 30, 2013</b>	<b>Change</b>
Effective income tax rate	27.5%	(0.8)%	28.3%	24.1%	(25.0)%	49.1%

The increase in the effective income tax rate in the thirteen weeks ended September 28, 2014 as compared to the three months ended September 30, 2013 was primarily due to a change in the blend of taxable income and tax rates across our domestic and international subsidiaries.

The increase in the effective income tax rate for the thirty-nine weeks ended September 28, 2014 as compared to the nine months ended September 30, 2013 was primarily due to the release of the domestic valuation allowance in the second quarter of 2013 and a change in the blend of income and tax rates across our domestic and international subsidiaries.

The effective income tax rates for the thirteen and thirty-nine weeks ended September 28, 2014 was lower than the blended federal and state statutory rate of 39.0% primarily due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips offset by the impact of foreign taxes on our international operations. The effective income tax rates for the three and nine months ended September 30, 2013 were lower than the blended federal and state statutory rate of 39.1% primarily due to the benefit of the expected tax credit for excess FICA tax on employee-reported tips, the release of the domestic valuation allowance, the elimination of noncontrolling interest and the impact of foreign taxes on our international operations.

In connection with the International Restaurant Closure Initiative, we reviewed the carrying value of our South Korea net deferred tax assets. Based on our review, we believe it is more likely than not that the net deferred tax assets will be realized. Should circumstances change and we determine that it is more likely than not the deferred tax assets in South Korea would not be realized, a valuation allowance would be established, which would result in additional income tax expense.

**Non-GAAP Financial Measures**

In addition to the results provided in accordance with U.S. GAAP, we provide non-GAAP measures which present operating results on an adjusted basis. These are supplemental measures of performance that are not required by or presented in accordance with U.S. GAAP and include the following: (i) system-wide sales, (ii) Adjusted restaurant-level operating margins, (iii) Adjusted income from operations and the corresponding margins, (iv) Adjusted net income, (v) Adjusted diluted earnings per share and (vi) Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") and Adjusted EBITDA.

Although we believe these non-GAAP measures enhance investors' understanding of our business and performance, these non-GAAP financial measures are not intended to replace accompanying U.S. GAAP financial measures. These metrics are not necessarily comparable to similarly titled measures used by other companies.

**BLOOMIN' BRANDS, INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued***System-Wide Sales*

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. Management 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.

System-wide sales comprise sales of Company-owned and franchised restaurants and, in historical periods, sales of unconsolidated joint venture restaurants. Prior to November 1, 2013, sales from the acquired 47 restaurants in Brazil were reported as income from unconsolidated joint ventures. Subsequent to November 1, 2013, the sales of these restaurants are reported as Company-owned.

Following is a summary of sales of Company-owned restaurants:

	<b>THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>THREE MONTHS ENDED SEPTEMBER 30, 2013</b>	<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>NINE MONTHS ENDED SEPTEMBER 30, 2013</b>
<b>COMPANY-OWNED RESTAURANT SALES (in millions):</b>				
Outback Steakhouse				
Domestic	\$ 521	\$ 507	\$ 1,627	\$ 1,617
International	148	78	437	235
Total	669	585	2,064	1,852
Carrabba's Italian Grill	168	168	535	532
Bonefish Grill	146	131	461	415
Fleming's Prime Steakhouse and Wine Bar	60	56	200	191
Other	16	18	54	58
Total Company-owned restaurant sales	<u>\$ 1,059</u>	<u>\$ 958</u>	<u>\$ 3,314</u>	<u>\$ 3,048</u>

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

The following table provides a summary of sales of franchised and unconsolidated joint venture restaurants, which are not included in our consolidated financial results, and our income from the royalties and/or service fees that franchisees and affiliates pay us based generally on a percentage of sales. The following table does not represent our sales and is presented only as an indicator of changes in the restaurant system, which management believes is important information regarding the health of our restaurant concepts and in determining our royalties and/or service fees.

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
<b>FRANCHISE AND UNCONSOLIDATED JOINT VENTURE SALES (in millions) (1):</b>				
Outback Steakhouse				
Domestic	\$ 79	\$ 76	\$ 244	\$ 239
International (1)	32	92	91	280
Total	111	168	335	519
Carrabba's Italian Grill	1	1	3	3
Bonefish Grill	3	5	10	14
Total franchise and unconsolidated joint venture sales (2)	\$ 115	\$ 174	\$ 348	\$ 536
Income from franchise and unconsolidated joint ventures (3) (4)	\$ 4	\$ 11	\$ 14	\$ 34

- (1) Unconsolidated joint ventures sales for the three and nine months ended September 30, 2013 included sales from the Brazilian Joint Venture.
- (2) Franchise and unconsolidated joint venture sales are not included in Total revenues in the Consolidated Statements of Operations and Comprehensive (Loss) Income.
- (3) Represents the franchise royalty and the portion of total income related to restaurant operations included in the Consolidated Statements of Operations and Comprehensive (Loss) Income in Other revenues and Income from operations of unconsolidated affiliates, respectively.
- (4) Income from franchise and unconsolidated joint ventures for the three and nine months ended September 30, 2013 included our share of earnings from the Brazilian Joint Venture, which was acquired November 1, 2013.

**BLOOMIN' BRANDS, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

*Other Non-GAAP Financial Measures*

The use of other non-GAAP financial measures permits investors to assess the operating performance of our business relative to our performance based on U.S. GAAP results and relative to other companies within the restaurant industry by isolating the effects of certain items that vary from period to period without correlation to core operating performance or that vary widely among similar companies. However, our inclusion of these adjusted measures should not be construed as an indication that our future results will be unaffected by unusual or infrequent items or that the items for which we have made adjustments are unusual or infrequent. We believe that the disclosure of these non-GAAP measures is useful to investors as they form the basis for how our management team and Board of Directors evaluate our operating performance, allocate resources and establish employee incentive plans. EBITDA and Adjusted EBITDA are also frequently used by investors, analysts and credit agencies in evaluating and comparing companies. In addition, our debt agreements require compliance of certain ratios that are based on financial measures similar to Adjusted EBITDA.

*Adjusted restaurant-level operating margin*

Restaurant-level operating margin is calculated as Restaurant sales after deduction of the main restaurant-level operating costs, which includes Cost of sales, Labor and other related and Other restaurant operating. Adjusted restaurant-level operating margin is Restaurant-level operating margin adjusted for certain items, as noted below.

The following tables show the percentages of certain operating cost financial statement line items in relation to Restaurant sales on both a U.S. GAAP basis and an adjusted basis, as indicated, for the thirteen and thirty-nine weeks ended September 28, 2014 and the three and nine months ended September 30, 2013:

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014		THREE MONTHS ENDED SEPTEMBER 30, 2013	
	U.S. GAAP	ADJUSTED	U.S. GAAP	ADJUSTED (1)
Restaurant sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	32.9%	32.9%	33.2%	33.2%
Labor and other related	27.9%	27.9%	28.6%	28.1%
Other restaurant operating	25.4%	25.4%	25.7%	25.7%
Restaurant-level operating margin	13.8%	13.8%	12.5%	13.0%

  

	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014		NINE MONTHS ENDED SEPTEMBER 30, 2013	
	U.S. GAAP	ADJUSTED (2)	U.S. GAAP	ADJUSTED (1)
Restaurant sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	32.6%	32.6%	32.6%	32.6%
Labor and other related	27.4%	27.4%	28.2%	28.0%
Other restaurant operating	23.9%	23.9%	23.5%	23.5%
Restaurant-level operating margin	16.1%	16.0%	15.7%	15.9%

(1) Includes an adjustment for payroll tax audit contingencies, which was recorded in Labor and other related.

(2) Includes an adjustment for the deferred rent liability write-off associated with the Domestic Restaurant Closure Initiative, which was recorded in Other restaurant operating.

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

*Adjusted income from operations, Adjusted net income and Adjusted diluted earnings per share*

The following table reconciles Adjusted income from operations and the corresponding margins, Adjusted net income and Adjusted diluted earnings per share to their respective most comparable U.S. GAAP measures for the thirteen and thirty-nine weeks ended September 28, 2014 and the three and nine months ended September 30, 2013 (in thousands, except per share amounts):

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
(Loss) income from operations	\$ (1,121)	\$ 29,510	\$ 151,296	\$ 194,256
Operating (loss) income margin	(0.1)%	3.0%	4.5%	6.3%
Adjustments:				
Transaction-related expenses (1)	—	938	1,118	1,642
Severance (2)	5,362	—	5,362	—
Asset impairments and related costs (3)	16,952	—	16,952	—
Restaurant impairments and closing costs (4)	11,573	—	16,502	—
Payroll tax audit contingency (5)	—	5,000	—	5,000
Purchased intangibles amortization (6)	1,545	—	4,535	—
Adjusted income from operations	<u>\$ 34,311</u>	<u>\$ 35,448</u>	<u>\$ 195,765</u>	<u>\$ 200,898</u>
Adjusted operating income margin	3.2%	3.7%	5.9%	6.5%
Net (loss) income attributable to Bloomin' Brands	\$ (11,443)	\$ 11,294	\$ 68,681	\$ 149,385
Adjustments:				
Transaction-related expenses (1)	—	938	1,118	1,642
Severance (2)	5,362	—	5,362	—
Asset impairments and related costs (3)	16,952	—	16,952	—
Restaurant impairments and closing costs (4)	11,573	—	16,502	—
Payroll tax audit contingency (5)	—	5,000	—	5,000
Purchased intangibles amortization (6)	1,545	—	4,535	—
Loss on extinguishment and modification of debt (7)	—	—	11,092	14,586
Total adjustments, before income taxes	<u>35,432</u>	<u>5,938</u>	<u>55,561</u>	<u>21,228</u>
Adjustment to (benefit) provision for income taxes (8)	<u>(11,360)</u>	<u>(4,047)</u>	<u>(18,902)</u>	<u>(62,417)</u>
Net adjustments	<u>24,072</u>	<u>1,891</u>	<u>36,659</u>	<u>(41,189)</u>
Adjusted net income	<u>\$ 12,629</u>	<u>\$ 13,185</u>	<u>\$ 105,340</u>	<u>\$ 108,196</u>
Diluted (loss) earnings per share	<u>\$ (0.09)</u>	<u>\$ 0.09</u>	<u>\$ 0.54</u>	<u>\$ 1.16</u>
Adjusted diluted earnings per share	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.82</u>	<u>\$ 0.84</u>
Basic weighted average common shares outstanding	125,289	123,747	125,023	122,624
Effect of diluted securities (9):				
Stock options	2,912	5,500	3,055	5,303
Nonvested restricted stock and restricted stock units	—	192	70	537
Diluted weighted average common shares outstanding	<u>128,201</u>	<u>129,439</u>	<u>128,148</u>	<u>128,464</u>

(1) Relates primarily to costs incurred with the secondary offering of our common stock in March 2014 and May 2013, respectively, and Brazil acquisition-related costs incurred during the three and nine months ended September 30, 2013.

**BLOOMIN' BRANDS, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

- (2) Relates to severance expense incurred as a result of our organizational realignment.
- (3) Represents asset impairment charges and related costs associated with our decision to sell the Roy's concept and corporate aircraft.
- (4) Represents impairments incurred in the thirteen and thirty-nine weeks ended September 28, 2014 for the International Restaurant Closure Initiative and expenses incurred in connection with the Domestic Restaurant Closure Initiative during the thirty-nine weeks ended September 28, 2014.
- (5) Relates to an IRS audit adjustment for the employer's share of FICA taxes related to cash tips allegedly received and unreported by our tipped employees during calendar year 2010.
- (6) Represents non-cash intangible amortization recorded as a result of the acquisition of our Brazil operations.
- (7) Relates to the refinancing in May 2014 and the repricing in April 2013 of our Senior Secured Credit Facility.
- (8) Income tax effect of adjustments for the thirteen and thirty-nine weeks ended September 28, 2014 was calculated based on the statutory rate applicable to jurisdictions in which the above non-GAAP adjustments relate. For the three and nine months ended September 30, 2013, we utilized a normalized annual effective tax rate of 22.0%, which excludes the income tax benefit of the valuation allowance release.
- (9) Due to the net loss, the effect of dilutive securities was excluded from the calculation of diluted (loss) earnings per share for the thirteen weeks ended September 28, 2014. For adjusted diluted earnings per share, the effect of the dilutive securities is included in the calculation.

**BLOOMIN' BRANDS, INC.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued***EBITDA and Adjusted EBITDA*

EBITDA and Adjusted EBITDA (EBITDA adjusted for certain significant items, as noted below) are supplemental measures of operating performance. The following table reconciles Net (loss) income attributable to Bloomin' Brands to EBITDA and Adjusted EBITDA for the thirteen and thirty-nine weeks ended September 28, 2014 and the three and nine months ended September 30, 2013 (in thousands):

	THIRTEEN WEEKS ENDED SEPTEMBER 28, 2014	THREE MONTHS ENDED SEPTEMBER 30, 2013	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Net (loss) income attributable to Bloomin' Brands	\$ (11,443)	\$ 11,294	\$ 68,681	\$ 149,385
(Benefit) provision for income taxes	(4,110)	(91)	22,839	(30,696)
Interest expense, net	13,837	17,690	45,544	56,585
Depreciation and amortization	48,750	40,135	143,542	121,220
<b>EBITDA</b>	<b>47,034</b>	<b>69,028</b>	<b>280,606</b>	<b>296,494</b>
Impairments and disposals (1)	17,862	519	19,240	2,000
Transaction-related expenses (2)	—	938	1,118	1,642
Stock-based compensation expense	4,000	3,170	11,839	10,618
Other losses (gains) (3)	481	(158)	(505)	389
Severance (4)	5,362	—	5,362	—
Restaurant impairment and closing costs (5)	11,573	—	16,502	—
Payroll tax audit contingency (6)	—	5,000	—	5,000
Loss on extinguishment and modification of debt (7)	—	—	11,092	14,586
<b>Adjusted EBITDA</b>	<b>\$ 86,312</b>	<b>\$ 78,497</b>	<b>\$ 345,254</b>	<b>\$ 330,729</b>

- (1) Represents non-cash impairment charges for fixed assets and intangible assets and net gains or losses on the disposal of fixed assets. Includes asset impairment charges associated with our decision to sell the Roy's concept and corporate aircraft.
- (2) Relates primarily to costs incurred with the secondary offering of our common stock in March 2014 and May 2013, respectively, and Brazil acquisition-related costs incurred during the three and nine months ended September 30, 2013.
- (3) Represents expenses incurred as a result of net (losses) gains on partner deferred compensation participant investment accounts, foreign currency loss (gain) and the loss (gain) on the cash surrender value of executive life insurance.
- (4) Relates to severance expense incurred as a result of our organizational realignment. Included in severance is \$0.9 million of modified stock compensation expense.
- (5) Represents impairments incurred in the thirteen and thirty-nine weeks ended September 28, 2014 for the International Restaurant Closure Initiative and expenses incurred in connection with the Domestic Restaurant Closure Initiative during the thirty-nine weeks ended September 28, 2014.
- (6) Relates to an IRS audit adjustment for the employer's share of FICA taxes related to cash tips allegedly received and unreported by our tipped employees during calendar year 2010.
- (7) Relates to the refinancing in May 2014 and the repricing in April 2013 of our Senior Secured Credit Facility.

**Liquidity and Capital Resources****TRANSACTIONS**

Effective January 1, 2014, we purchased the remaining partnership interests in certain of our limited partnerships that either owned or had a contractual right to varying percentages of cash flows in 37 Bonefish Grill restaurants for an aggregate purchase price of \$17.2 million. Effective March 1, 2014, we acquired two Bonefish Grill restaurants from a franchisee for a purchase price of approximately \$3.2 million, including customary escrow amounts. See Note 2 - *Acquisitions* of the Notes to Consolidated Financial Statements for further information.



**BLOOMIN' BRANDS, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

We completed a refinancing of our Senior Secured Credit Facilities and entered into the Amended Credit Agreement on May 16, 2014. See Note 8 - *Long-term Debt, Net* of the Notes to Consolidated Financial Statements for further information.

To facilitate development opportunities outside the U.S., we amended our royalty agreement with the founders of Carrabba's effective June 1, 2014. See Note 7 - *Goodwill and Intangible Assets, Net* of the Notes to Consolidated Financial Statements for further information.

In September 2014, we entered into variable-to-fixed interest rate swap agreements with eight counterparties to hedge a portion of the cash flows of our variable rate debt. See Note 12 - *Derivative Instruments and Hedging Activities* of the Notes to Consolidated Financial Statements for further information.

**LIQUIDITY**

Our liquidity sources consist of cash flow from our operations, cash and cash equivalents and credit capacity under our credit facilities. We expect to use cash primarily for principal and interest payments on our debt, prepayment requirements under our credit facilities, obligations related to our deferred compensation plans, the development of new restaurants and new markets, remodeling or relocating older restaurants, investments in technology, acquisitions of franchisees and general operating expenses.

We believe that our expected liquidity sources are adequate to fund debt service requirements, operating lease obligations, capital expenditures and working capital obligations for the next 12 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.

*Cash and Cash Equivalents* - At September 28, 2014 and December 31, 2013, we had \$144.7 million and \$209.9 million, respectively, in cash and cash equivalents, of which \$97.4 million and \$107.5 million, respectively, was held by foreign affiliates, a portion of which would be subject to additional taxes if repatriated to the United States. We consider the undistributed earnings related to our foreign affiliates at September 28, 2014 to be permanently reinvested and are expected to continue to be permanently reinvested. Accordingly, no provision for United States income and additional foreign taxes has been recorded on aggregate undistributed earnings of \$145.3 million at September 28, 2014. If we identify an exception to our general reinvestment policy of undistributed earnings, additional tax liabilities will be recorded. The international jurisdictions in which we have significant cash do not have any known restrictions that would prohibit the repatriation of cash and cash equivalents.

We decided to close 36 underperforming international locations, primarily in South Korea. In connection with the International Restaurant Closure Initiative, we expect future cash expenditures of \$19.0 million to \$29.0 million, primarily related to lease liabilities, through February 2024. We believe our South Korea subsidiary has sufficient cash to meet these obligations and support ongoing operations.

*Capital Expenditures* - We estimate that our capital expenditures will total between approximately \$215.0 million and \$235.0 million in 2014. 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 the remainder of 2014.

**BLOOMIN' BRANDS, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

*Credit Facilities* - Our credit facilities consist of the Senior Secured Credit Facility and the CMBS Loan. See Note 8 - *Long-term Debt, Net* of the Notes to Consolidated Financial Statements for further information. Following is a summary of principal payments and debt issuance from December 31, 2012 to September 28, 2014 (in thousands):

	SENIOR SECURED CREDIT FACILITY			2012 CMBS LOAN			TOTAL CREDIT FACILITIES
	TERM LOAN A	TERM LOAN B	REVOLVING FACILITY	FIRST MORTGAGE LOAN	FIRST MEZZANINE LOAN	SECOND MEZZANINE LOAN	
Balance at December 31, 2012	\$ —	\$ 1,000,000	\$ —	\$ 319,574	\$ 87,048	\$ 87,273	\$ 1,493,895
2013 payments	—	(65,000)	—	(7,930)	(917)	(569)	(74,416)
Balance at December 31, 2013	—	935,000	—	311,644	86,131	86,704	1,419,479
2014 new debt issued (1) (2) (3)	300,000	—	415,000	—	—	—	715,000
2014 payments (1) (3)	—	(710,000)	—	(9,785)	(739)	(464)	(720,988)
Balance at September 28, 2014	\$ 300,000	\$ 225,000	\$ 415,000	\$ 301,859	\$ 85,392	\$ 86,240	\$ 1,413,491

(1) \$700.0 million relates to the refinancing of our Senior Secured Credit Facility, which did not increase total indebtedness.

(2) Term Loan A was issued with a discount of \$2.9 million.

(3) Includes \$15.0 million of borrowings on the swing line loan sub-facilities, which was repaid subsequent to September 28, 2014. In October 2014, we drew an additional \$10.0 million on the revolving credit facility.

We continue to evaluate whether we will make further payments of our outstanding debt ahead of scheduled maturities. Following is a summary of our outstanding credit facilities at September 28, 2014 (in thousands, except interest rate):

	INTEREST RATE		ORIGINAL FACILITY	PRINCIPAL MATURITY DATE	OUTSTANDING	
	SEPTEMBER 28, 2014				SEPTEMBER 28, 2014	DECEMBER 31, 2013
Term loan A, net of discount of \$2.9 million	2.16%	\$ 300,000	May 2019	\$ 300,000	\$ —	
Term loan B, net of discount of \$10.0 million	3.50%	225,000	October 2019	225,000	935,000	
Revolving credit facility (1)	2.16%	600,000	May 2019	415,000	—	
Total Senior Secured Credit Facility		1,125,000		940,000	935,000	
First mortgage loan (2)	4.07%	324,800	April 2017	301,859	311,644	
First mezzanine loan	9.00%	87,600	April 2017	85,392	86,131	
Second mezzanine loan	11.25%	87,600	April 2017	86,240	86,704	
Total 2012 CMBS loan		500,000		473,491	484,479	
Total credit facilities		\$ 1,625,000		\$ 1,413,491	\$ 1,419,479	

(1) Outstanding balance at September 28, 2014, includes \$15.0 million of borrowings on the swing line loan sub-facilities at 4.25%.

(2) Represents the weighted-average interest rate for the respective period.

At September 28, 2014, we had \$155.4 million in available unused borrowing capacity under our revolving credit facility, net of letters of credit of \$29.6 million.

The Amended Credit Agreement contains mandatory prepayment requirements for Term loan A and Term loan B. Beginning with the fiscal year ended December 28, 2014, we are required to prepay outstanding amounts under our term loans with 50% of our annual excess cash flow, as defined in the Amended Credit Agreement. The amount of outstanding term loans required to be prepaid may vary based on our leverage ratio and year-end results. Other than the required minimum amortization premiums of \$15.0 million, we do not anticipate any other payments will be required through September 27, 2015.

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

The 2012 CMBS Loan requires annual amortization payments ranging from approximately \$9.9 million to \$10.9 million, payable in scheduled monthly installments through March 2017, with the remaining balance due upon maturity in April 2017.

Our Amended Credit Agreement and 2012 CMBS Loan contain various financial and non-financial covenants. A violation of these covenants could negatively impact our liquidity by restricting our ability to borrow under the revolving credit facility and cause an acceleration of the amounts due under the credit facilities. See Note 8 - *Long-term Debt, Net* of the Notes to Consolidated Financial Statements for further information.

At September 28, 2014 and December 31, 2013, we were in compliance with these debt covenants.

*Cash Flow Hedges of Interest Rate Risk* - In September 2014, we entered into variable-to-fixed interest rate swap agreements with eight counterparties to hedge a portion of the cash flows of our variable rate debt. The swap agreements have an aggregate notional amount of \$400.0 million, a forward start date of June 30, 2015, and mature on May 16, 2019. Under the terms of the swap agreements, we will pay a weighted-average fixed rate of 2.02% on the \$400.0 million notional amount and receive payments from the counterparty based on the 30-day LIBOR rate. Based on the current LIBOR curve, we estimate approximately \$3.3 million of additional interest expense in fiscal 2015 as a result of the Swap Transaction. See Note 12 - *Derivative Instruments and Hedging Activities* of the Notes to Consolidated Financial Statements for further information.

**SUMMARY OF CASH FLOWS**

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):

	<b>THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014</b>	<b>NINE MONTHS ENDED SEPTEMBER 30, 2013</b>
Net cash provided by operating activities	\$ 159,548	\$ 126,673
Net cash used in investing activities	(176,018)	(161,472)
Net cash used in financing activities	(48,868)	(43,005)
Effect of exchange rate changes on cash and cash equivalents	138	(228)
Net decrease in cash and cash equivalents	<u>\$ (65,200)</u>	<u>\$ (78,032)</u>

*Operating activities* - Net cash provided by operating activities increased during thirty-nine weeks ended September 28, 2014, as compared to the nine months ended September 30, 2013 primarily due to lower cash interest payments, timing of payments on accounts payable and utilization of inventory on hand. These increases were partially offset by higher income tax payments, an increase in the redemption of gift cards and timing of credit card collections.

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

(in thousands):	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Capital expenditures	\$ (174,432)	\$ (166,154)
Acquisition of business, net of cash acquired	(3,063)	—
Purchases of life insurance policies	(1,682)	(760)
Net change in restricted cash, net	(1,538)	810
Proceeds from sale of life insurance policies	627	1,071
Proceeds from disposal of property, fixtures and equipment	4,070	3,561
Net cash used in investing activities	<u>\$ (176,018)</u>	<u>\$ (161,472)</u>

Net cash used in investing activities for the thirty-nine weeks ended September 28, 2014 consisted primarily of capital expenditures and net cash paid to acquire certain franchise restaurants partially offset by proceeds from the disposal of property, fixtures and equipment. Net cash used in investing activities for the nine months ended September 30, 2013 consisted primarily of capital expenditures partially offset by proceeds from the disposal of property, fixtures and equipment.

*Financing activities*

(in thousands):	THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2014	NINE MONTHS ENDED SEPTEMBER 30, 2013
Repayments of debt	\$ (784,659)	\$ (37,401)
Purchase of limited partnership interests	(17,211)	—
Repayments of partner deposits and accrued partner obligations	(17,603)	(17,426)
Financing fees	(4,492)	(12,519)
Distributions to noncontrolling interests	(3,331)	(5,799)
Proceeds from borrowings	771,588	—
Proceeds from exercise of stock options, net of shares withheld for employee taxes	5,773	24,311
Excess tax benefits from stock-based compensation	1,067	—
Repayments of notes receivable due from stockholders	—	5,829
Net cash used in financing activities	<u>\$ (48,868)</u>	<u>\$ (43,005)</u>

Net cash used in financing activities for the thirty-nine weeks ended September 28, 2014 was primarily attributable to the following: (i) repayments of the Term loan B due to the Senior Secured Credit Facility refinancing in May 2014 and voluntary prepayments, (ii) the purchase of outstanding limited partnership interests in certain restaurants, (iii) repayments of partner deposits and accrued partner obligations and (iv) financing fees related to the Senior Secured Credit Facility refinancing. Net cash used in financing activities was partially offset by proceeds from the refinancing of the Senior Secured Credit Facility and proceeds from stock based compensation plans, net of shares withheld for employee taxes.

Net cash used in financing activities for the nine months ended September 30, 2013 was primarily attributable to the following: (i) repayments of long-term debt, (ii) repayments of partner deposits and accrued partner obligations, (iii) payments of financing fees for the amended Term loan B repricing transaction completed in April 2013 and (iv) distributions to noncontrolling interests. Net cash used in financing activities was partially offset by the receipt of proceeds from stock based compensation plans, net of shares withheld for employee taxes and repayments of notes receivable due from stockholders.

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

## FINANCIAL CONDITION

Following is a summary of our current assets, current liabilities and working capital (in thousands):

	SEPTEMBER 28, 2014	DECEMBER 31, 2013
Current assets	\$ 451,459	\$ 483,396
Current liabilities	684,845	747,270
Working capital (deficit)	\$ (233,386)	\$ (263,874)

Working capital (deficit) included Unearned revenue from unredeemed gift cards of \$226.9 million and \$359.4 million at September 28, 2014 and December 31, 2013, 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 to make capital expenditures.

## CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

In Management's Discussion and Analysis of Financial Condition and Results of Operations in the Form 10-K for the year ended December 31, 2013, we disclosed that we had \$3.4 billion in total contractual obligations. At September 28, 2014, other than the timing of long-term debt payments, there are no material changes outside of the ordinary course of business to our total contractual obligations. Timing of long-term debt payments changed as a result of the May 2014 refinancing of our Senior Secured Credit Facility.

(in thousands):	PAYMENTS DUE BY PERIOD AS OF SEPTEMBER 28, 2014				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
<b>Contractual Obligations</b>					
Long-term debt (including current portion)	\$ 1,419,654	\$ 42,385	\$ 502,368	\$ 647,526	\$ 227,375

*Deferred Compensation Programs*

Managing and chef partners that are eligible to participate in our deferred compensation programs receive commitments for cash contributions, which are our unsecured obligations. We use current and historical restaurant performance information to estimate the deferred obligations to managing and chef partners. The deferred compensation obligation due managing and chef partners was \$149.8 million and \$148.3 million at September 28, 2014 and December 31, 2013, respectively.

We invest in various corporate-owned life insurance policies, which are held within an irrevocable grantor or "rabbi" trust account for settlement of our obligations under the deferred compensation plans. The rabbi trust is funded through our voluntary contributions. We are the sole owner of any assets within the rabbi trust and participants are considered our general creditors. At September 28, 2014 and December 31, 2013, the rabbi trust was \$72.4 million and \$71.8 million, respectively. The unfunded obligation for managing and chef partners' deferred compensation is \$77.4 million at September 28, 2014.

**BLOOMIN' BRANDS, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**

We use capital to fund the deferred compensation plans and currently expect cash funding of \$20.0 million to \$25.0 million through September 27, 2015. Actual funding of the deferred compensation obligations and future funding requirements may vary significantly depending on the actual performance compared to targets, timing of deferred payments of partner contracts, forfeiture rates, number of partner participants, growth of partner investments and our funding strategy. Actual funding may differ materially from estimates.

**DIVIDENDS**

We did not declare or pay any dividends on our common stock during 2013 or during the thirty-nine weeks ended September 28, 2014. Our Board of Directors does not intend to pay regular dividends on our common stock. However, we expect to reevaluate our dividend policy on a regular basis and may, subject to compliance with the covenants contained in the credit facilities and other considerations, determine to pay dividends in the future.

Our ability to pay dividends is dependent on our ability to obtain funds from our subsidiaries. Payment of dividends by our subsidiaries to Bloomin' Brands is restricted under the credit facilities to dividends for the purpose of paying Bloomin' Brands' franchise and income taxes and ordinary course operating expenses; dividends for certain other limited purposes; and other dividends subject to an aggregate cap over the term of the agreement.

**Recently Issued Financial Accounting Standards**

For a description of recently issued Financial Accounting Standards, see Note 16, *Recently Issued Financial Accounting Standards*, of the Notes to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

**BLOOMIN' BRANDS, INC.****Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to market risk from changes in interest rates, changes in foreign currency exchange rates and changes in commodity prices. We believe that there have been no material changes in our market risk since December 31, 2013, except as set forth below. For further information on market risk, refer to Part II, Item 7A., "Quantitative and Qualitative Disclosures about Market Risk," in our 2013 Form 10-K.

**Interest Rate Risk**

We are exposed to market risk from fluctuations in interest rates, which could affect our consolidated balance sheet, earnings and cash flows. Stockholders' equity can be adversely affected by changing interest rates, as after-tax changes in the fair value of interest rate swaps designated as cash flow hedges are reflected as increases and decreases to a component of stockholders' equity.

We manage our exposure to market risk through regular operating and financing activities and when deemed appropriate, through the use of derivative financial instruments. We use derivative financial instruments as risk management tools and not for speculative purposes. See Note 12 - *Derivative Instruments and Hedging Activities* of the Notes to Consolidated Financial Statements for further information.

At September 28, 2014, our interest rate risk was primarily from variable interest rate changes on our Senior Secured Credit Facility and a portion of our 2012 CMBS Loan. To manage the risk of fluctuations in variable interest rate debt, we entered into interest rate swaps for an aggregate notional amount of \$400.0 million in September 2014. We also use an interest rate cap to limit the volatility of the floating rate component of a portion of the 2012 CMBS Loan.

We utilize valuation models to estimate the effects of changing interest rates. The following table summarizes the changes to fair value and interest expense under a shock scenario. This analysis assumes that interest rates change suddenly, as an interest rate "shock" and continue to increase or decrease at a consistent level above or below the LIBOR curve.

(in thousands)	SEPTEMBER 28, 2014	
	INCREASE (1)	DECREASE (2)
<b>Change in fair value:</b>		
Interest rate swap	\$ 13,697	\$ (17,816)
<b>Change in annual interest expense (3):</b>		
Variable rate debt	\$ 6,589	\$ (1,559)

(1) The potential change from a hypothetical 100 basis point increase in short-term interest rates.

(2) The potential change from a hypothetical basis point decrease in short-term interest rates based on the LIBOR curve with a floor of zero. The curve ranges from our current interest rate of 16 basis points to 56 basis points.

(3) Excludes the floating rate component of the CMBS loan.

**BLOOMIN' BRANDS, INC.**

**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 and Administrative 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 and Administrative 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 and Administrative Officer concluded that our disclosure controls and procedures were effective as of September 28, 2014.

**Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting during our most recent thirteen weeks ended September 28, 2014 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 1. Legal Proceedings**

For a description of our legal proceedings, see Note 15 - *Commitments and Contingencies*, of the Notes to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

**Item 1A. Risk Factors**

In addition to the other information discussed in this report, please consider the factors described in Part I, Item 1A., "Risk Factors" in our 2013 Form 10-K 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 2013 Form 10-K, 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**

There were no sales of equity securities during the third quarter of 2014 that were not registered under the Securities Act of 1933.

The following table provides information regarding our purchases of common stock during the thirteen weeks ended September 28, 2014:

<b>REPORTING PERIOD</b>	<b>TOTAL NUMBER OF SHARES PURCHASED (1)</b>	<b>AVERAGE PRICE PAID PER SHARE</b>	<b>TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS</b>	<b>MAXIMUM NUMBER OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS</b>
June 30, 2014 through July 27, 2014	718	\$ 20.99	*	*
July 28, 2014 through August 24, 2014	119	\$ 19.69	*	*
August 25, 2014 through September 28, 2014	3,130	\$ 16.67	*	*
Total	3,967		*	*

\* These amounts are not applicable as we do not have a share repurchase program in effect.

(1) Common stock purchased during the thirteen weeks ended September 28, 2014 represented shares which were withheld for tax payments due upon the vesting of employee restricted stock awards.

**BLOOMIN' BRANDS, INC.****Item 5. Other Information**

On October 30, 2014, the Company decided to close 36 underperforming international locations, primarily in South Korea (“International Restaurant Closure Initiative”). We expect to substantially complete these restaurant closings during the fourth quarter of 2014 and the first quarter of 2015. In connection with the International Restaurant Closure Initiative, we incurred pre-tax asset impairments of approximately \$11.6 million during the thirteen and thirty-nine weeks ended September 28, 2014. We currently expect to incur additional charges of approximately \$19.0 million to \$29.0 million, including costs associated with lease obligations, employee terminations and other closure related obligations. Following is a summary of estimated pre-tax expense by type:

	ESTIMATED EXPENSE (IN MILLIONS)		
Lease related liabilities, net of subleases	\$12.0	to	\$20.0
Employee severance	\$6.0	to	\$7.0
Other obligations	\$1.0	to	\$2.0

We expect to incur expenses for lease-related liabilities, employee severance and other obligations over the next two fiscal quarters. Total future cash expenditures of \$19.0 million to \$29.0 million, primarily related to lease liabilities, are expected to occur through February 2024. The amounts and timing of all estimates are subject to a number of assumptions and actual results may differ.

**BLOOMIN' BRANDS, INC.****Item 6. Exhibits**

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION OF EXHIBITS</b>	<b>FILINGS REFERENCED FOR INCORPORATION BY REFERENCE</b>
10.1	Amendment, dated July 30, 2014, to the Officer Employment Agreement made and entered into August 16, 2010 and effective for all purposes as of August 16, 2010 by and among David A. Pace and OSI Restaurant Partners, LLC	August 5, 2014 Form 10-Q Exhibit 10.8
10.2	Amendment, dated September 16, 2014, to the Officer Employment Agreement made and entered into August 7, 2013 and effective for all purposes as of August 16, 2010 by and among Amanda L. Shaw and Bloomin' Brands, Inc.	Filed herewith
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial and Administrative Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
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 <sup>1</sup>	Filed herewith
32.2	Certification of Chief Financial and Administrative Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 <sup>1</sup>	Filed herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith

<sup>1</sup> 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.

**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: November 4, 2014

BLOOMIN' BRANDS, INC.  
(Registrant)

By: /s/ David J. Deno

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

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**BLOOMIN' BRANDS, INC.**  
**Amendment to Officer Employment Agreement**

THIS AMENDMENT TO OFFICER EMPLOYMENT AGREEMENT ("Amendment") is made and entered into effective September 16, 2014, by and among AMANDA L. SHAW (the "Employee"), BLOOMIN' BRANDS, INC., a Delaware corporation having its principal office at 2202 N. West Shore Boulevard, 5th Floor, Tampa, FL 33607 (the "Company"), and OS MANAGEMENT, INC., a Florida corporation having its principal office at 2202 N. West Shore Boulevard, 5th Floor, Tampa, FL 33607 (the "Employer").

WHEREAS, the Employer employs the Employee and leases the Employee to the Company as its Senior Vice President, Technology and Chief Accounting Officer pursuant to that certain Officer Employment Agreement dated August 7, 2013 (the "Employment Agreement"); and

WHEREAS, the parties desire to enter into this Amendment in order to modify the Employment Agreement to reflect a change in the terms of employment set forth below, and to change Employee's title from Senior Vice President, Technology and Chief Accounting Officer of the Company to Senior Vice President, Chief Accounting Officer and International Finance of the Company effective September 16, 2014.

NOW, THEREFORE, intending to be legally bound, for good consideration, receipt of which is acknowledged, the parties hereby agree as follows:

1. **Recitals.** The parties acknowledge and agree that the above recitals are true and correct and incorporated herein by reference.
2. **Change of Employee's Title.** The parties acknowledge and agree that all references in the Employment Agreement to the Employee being employed by the Employer and leased to the Company as its Senior Vice President, Technology and Chief Accounting Officer of the Company are hereby amended to state that the Employee is employed by the Employer and leased to the Company as its Senior Vice President, Chief Accounting Officer and International Finance effective as of September 16, 2014. Further, any and all references to "Senior Vice President, Technology and Chief Accounting Officer" are hereby amended and replaced with "Senior Vice President, Chief Accounting Officer and International Finance".
3. **Change in Employee's Compensation.** The parties acknowledge and agree that section 4(a) of the Employment Agreement, which sets forth the Employee's annual base salary as "Three Hundred Twenty-five Thousand Dollars (\$325,000)", is hereby amended to state the Employee's base salary is "Three Hundred Fifty Thousand Dollars (\$350,000)".
4. **Ratification.** All other terms of the Employment Agreement as amended hereby are ratified and confirmed by each party.

*[Signature Page Follows]*

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IN WITNESS WHEREOF, the parties have executed this Amendment as of the date set forth above.

**“EMPLOYEE”**

/s/ Kevin Elliott  
Witness

/s/ AMANDA L. SHAW  
AMANDA L. SHAW

Kevin Elliott  
Printed name of witness

/s/ Kristina Coe-Bjorsell  
Witness

Kristina Coe-Bjorsell  
Printed name of witness

**“COMPANY”**

Attest:

BLOOMIN’ BRANDS, INC., a Delaware corporation

By: /s/ KELLY B. LEFFERTS  
KELLY B. LEFFERTS,  
Assistant Secretary

By: /s/ JOSEPH J. KADOW  
JOSEPH J. KADOW,  
Executive Vice President

**“EMPLOYER”**

Attest:

OS MANAGEMENT, INC., a Florida corporation

By: /s/ KELLY B. LEFFERTS  
KELLY B. LEFFERTS,  
Assistant Secretary

By: /s/ JOSEPH J. KADOW  
JOSEPH J. KADOW,  
Executive Vice President

**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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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: November 4, 2014

/s/ Elizabeth A. Smith

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Elizabeth A. Smith

Chief Executive Officer  
(Principal Executive Officer)

**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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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: November 4, 2014

/s/ David J. Deno

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David J. Deno

Executive Vice President and Chief Financial and Administrative Officer  
(Principal Financial Officer)



**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 September 28, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Elizabeth A. Smith, 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: November 4, 2014

/s/ Elizabeth A. Smith

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Elizabeth A. Smith

Chief Executive Officer

(Principal 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.

**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 September 28, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Deno, Executive Vice President and Chief Financial and Administrative 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: November 4, 2014

/s/ David J. Deno

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David J. Deno

Executive Vice President and Chief Financial and Administrative Officer  
(Principal 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.

