

Use of Non-U.S. GAAP Financial Information and Reconciliation to Comparable GAAP Number

The Company uses certain financial information, such as Adjusted Debt and EBITDAR, which are not derived in accordance with generally accepted accounting principles ("GAAP"). The Company manages its debt levels to a ratio of Adjusted Debt to EBITDAR, as shown on the attached tables. The Company believes that the ratio of Adjusted Debt to EBITDAR is a useful supplemental measure as it provides an indication of the results generated by the Company and its level of indebtedness in relation to its capital structure. The Company's debt covenants are measured against this non-GAAP financial measure.

The Company has also provided non-GAAP measurements which present operating results on a basis before the impact of a settlement of a legal matter. The Company used earnings before the impact of the legal settlement as a key performance measure of results of operations for purposes of evaluating performance internally. This non-GAAP measurement is not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of results before the legal settlement provides additional information to facilitate the comparison of past and present operations, excluding items that the Company does not believe are indicative of our ongoing operations in the 52 weeks ended December 25, 2012.

Non-GAAP financial measures should be considered in addition to, not as a substitute for, total debt, net income, earnings per share or other measures of financial performance prepared in accordance with GAAP. The Company's method of determining the foregoing non-GAAP financial measure may differ from other companies and accordingly such non-GAAP financial measure may not be comparable to measures used by other companies.

Reconciliation of Adjusted Debt to EBITDAR

Adjusted Debt to EBITDAR as of December 25, 2012

Current and long-term debt and capital leases	\$	51,601
Lease-Debt equivalent *		215,392
Letters of credit		4,719
Adjusted debt	\$	<u>271,712</u>
Net income attributable to Texas Roadhouse, Inc. and subsidiaries – GAAP basis	\$	71,170
Impairment and closing costs		1,459
Interest expense		2,347
Income taxes		34,738
Depreciation and amortization		46,717
Rent expense		26,924
Share-based compensation expense		13,194
Loss on disposition of assets		3,615
Pre-opening expense		<u>12,399</u>
EBITDAR	\$	212,563
Adjusted Debt to EBITDAR		1.28x

* Amount equals 8 times the total annual rent and has been adjusted to reflect a full year impact from any restaurants acquired from franchisees during the trailing four quarters.

** In accordance with the Company's bank covenants, the Company is to provide proforma adjustments to EBITDAR to reflect a full year's worth of EBITDAR for restaurants acquired from franchisees during the prior four quarters.

Reconciliation of Non-GAAP measurements related to legal settlement to reported Net income and Earnings per share

	52 weeks ended	
	December 25, 2012	December 27, 2011
	\$	\$
Net income attributable to Texas Roadhouse, Inc. and subsidiaries, excluding settlement charge	74,232	63,964
Amount reserved for settlement of a legal matter, net of tax (1)	(3,062)	—
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	<u>71,170</u>	<u>63,964</u>
Weighted average diluted shares outstanding	71,485	72,278
Diluted earnings per share, excluding settlement charge	1.04	0.88
Impact of settlement charge on diluted earnings per share	(0.04)	—
	<u>1.00</u>	<u>0.88</u>

(1) Amount reserved in the first quarter of 2012 for the settlement of a legal matter was \$5.0 million before the statutory income tax rate. The settlement is included in general administrative costs in our condensed consolidated statements of income and comprehensive income.