

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

The Company has 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 were indicative of our ongoing operations in the 13 weeks ended March 27, 2012.

Non-GAAP financial measures should be considered in addition to, not as a substitute for 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.

	13 weeks ended	
	March 26, 2013	March 27, 2012
	\$	\$
Net income attributable to Texas Roadhouse, Inc. and subsidiaries, excluding settlement charge	26,171	21,931
Amount reserved for settlement of a legal matter, net of tax (1)	—	(3,062)
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	26,171	18,869
Weighted average diluted shares outstanding	70,583	70,830
Diluted earnings per share, excluding settlement charge	0.37	0.31
Impact of settlement charge on diluted earnings per share	—	(0.04)
	<u>0.37</u>	<u>0.27</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 was included in general administrative costs in our condensed consolidated statements of income and comprehensive income.