Darden Restaurants Reports Second Quarter Earnings Per Diluted Share of 18 Cents

ORLANDO, Fla., Dec 18, 2003 /PRNewswire-FirstCall via Comtex/-- Darden Restaurants, Inc. (NYSE: DRI) today reported quarterly sales of $1.14 billion for the second quarter ended November 23, 2003, and earnings per diluted share of 18 cents.

"Earnings per diluted share of 18 cents were at the upper end of our guidance for the quarter," said Joe Lee, Darden's Chairman and Chief Executive Officer. "Once again, Olive Garden delivered outstanding financial performance with impressive same-restaurant sales growth and set second quarter records for sales, operating profit, return on sales and return on capital. The quarter also featured the continued expansion of Smokey Bones, which opened an additional nine restaurants, and the completion of the planned introduction of lunch at Bahama Breeze, which is an important element of its business-building plan. Red Lobster continued to face several challenges and has begun to take steps to stabilize and improve the business. We are confident that Red Lobster will regain momentum, helping Darden achieve the kind of strong financial performance we have enjoyed historically. The current range of estimates of diluted earnings per share for this fiscal year, which is $1.31 to $1.43, is relatively broad. Given the uncertainty of the timing of Red Lobster's recovery and other factors, we think that's appropriate."

Highlights for the quarter ended November 23, 2003, include the following:

-- Earnings after tax in the second quarter were $31.3 million, or 18 cents per diluted share, on sales of $1.14 billion. Last year, earnings after tax were $37.5 million, or 21 cents per diluted share, on sales of $1.07 billion.

-- Total sales of $1.14 billion represent a 6.6% increase over prior year.

-- Olive Garden reported its 37th consecutive quarter of same-restaurant sales growth with a 4.3% increase.

-- The Company continued its share repurchase program, buying back 0.8 million shares of its common stock in the quarter.

Operating Highlights

OLIVE GARDEN'S second quarter sales of $518.5 million were 9.7% above prior year, driven by a same-restaurant sales increase of 4.3% and revenue from 25 net new restaurants in operation versus last year. This is the 37th consecutive quarter of comparable-restaurant sales growth for Olive Garden and builds on a 3.5% increase in the second quarter last year. The company's increased sales, combined with lower food and beverage expense and restaurant labor costs as a percent of sales, more than offset increased restaurant expenses and depreciation as a percent of sales, resulting in a record quarterly operating profit that also represents a strong double-digit increase over last year.

"This was a great quarter for Olive Garden," said Drew Madsen, President of Olive Garden. "Our financial results in the areas of sales, operating profit, return on sales and return on capital represent the best second quarter performance in the history of Olive Garden. We also reported another quarter of positive traffic growth due to our strong foundation of guest satisfaction and the success of our recently introduced stuffed chicken entrees. I want to thank our team at Olive Garden for their unrelenting focus on delighting our guests with a genuine Italian dining experience."

RED LOBSTER'S second quarter sales of $545.1 million were 0.7% below prior year, driven by a same-restaurant sales decrease of 3.1% that was partially offset by revenue from 10 net new restaurants in operation versus last year. Red Lobster's total sales were lower than expected. Despite lower food and beverage expenses and restaurant labor costs as a percent of sales, Red Lobster experienced increased restaurant expenses, selling, general, and administrative expenses, and depreciation as a percent of sales. These factors led to a decline in operating profit versus last year.

"Although we are disappointed with our second quarter sales and operating profit," said Dick Rivera, President and Chief Operating Officer of Darden, "we know Red Lobster is America's favorite place for seafood and we're intent on rebuilding our financial performance. We are making progress enhancing the guest experience in our restaurants and are looking forward to enhancing our promotional messages as well. We recognize there is more work ahead of us and that it will take time to accomplish all of our goals. However, our crews are energized and focused, and we will continue to improve our marketing efforts, our hospitality and our menu offerings in order to regain our guest count and sales momentum."

BAHAMA BREEZE opened three restaurants during the second quarter bringing the total number in operation to 37 restaurants. One more opening is scheduled for this fiscal year. The company also completed the introduction of lunch to most of the system during the quarter. This effort is expected to help build their business and improve financial performance as they
position themselves for long-term success.

SMOKEY BONES opened nine restaurants during the second quarter, bringing the year-to-date total to 14 openings. In addition, the company has opened three more restaurants since the end of the quarter. As a result, Smokey Bones now has 56 restaurants in operation. During this fiscal year, 25 to 30 restaurants are expected to open.

Other Actions

Darden continued the buyback of its common stock, purchasing 0.8 million shares in the second quarter. Since December 1995, the Company has repurchased a total of 100.7 million shares under authorizations, totaling 115.4 million shares.

November 2003 Same-Restaurant Sales Results

Darden reported same-restaurant sales for the four-week November fiscal month ended November 23, 2003. This period is the last month of Darden's fiscal 2004 second quarter.

Same-restaurant sales at Olive Garden were up 8% to 9% for fiscal November, which reflected a 6% to 7% increase in guest counts and a 2% to 3% increase in check average. The check average increase was a result of a 2% to 3% increase in pricing and a 0% to 1% decrease from menu mix changes. Last year, Olive Garden had an approximate 3% increase in same-restaurant sales during fiscal November.

Same-restaurant sales at Red Lobster were down 8% to 9% for fiscal November, which reflected a 10% to 11% decrease in guest counts and a 2% to 3% increase in check average. The check average increase was a result of a 1% to 2% increase in pricing and a 1% to 2% increase from menu mix changes. Last year, Red Lobster had a 10% to 11% increase in same-restaurant sales during fiscal November.

The Company estimates that this year's shift of Halloween from Thursday in 2002 to Friday in 2003 adversely affected November same-restaurant sales results at both Olive Garden and Red Lobster by approximately 0.6%.

Darden Restaurants, Inc., headquartered in Orlando, FL, owns and operates over 1,300 Red Lobster, Olive Garden, Bahama Breeze, Smokey Bones and Seasons 52 restaurants with annual sales of $4.7 billion.

Forward-looking statements in this news release, if any, are made under the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Certain important factors could cause results to differ materially from those anticipated by the forward-looking statements, including the impact of changing economic or business conditions, the impact of competition, the availability of favorable credit and trade terms, the impact of changes in the cost or availability of food and real estate, government regulation, construction costs, weather conditions and other factors discussed from time to time in reports filed by the Company with the Securities and Exchange Commission.
(In thousands, except per share data)  
(UNAUDITED)

<table>
<thead>
<tr>
<th></th>
<th>13 Weeks Ended</th>
<th>26 Weeks Ended</th>
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<tbody>
<tr>
<td>Sales</td>
<td>$1,142,543</td>
<td>$1,071,531</td>
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<tr>
<td>Costs and expenses:</td>
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<td></td>
</tr>
<tr>
<td>Cost of sales:</td>
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<tr>
<td>Food and beverage</td>
<td>346,200</td>
<td>330,954</td>
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<td>Restaurant labor</td>
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<td>Restaurant expenses</td>
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<td>Total cost of sales</td>
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<td>Selling, general and administrative expenses</td>
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<td>Depreciation and amortization</td>
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<td>Interest, net</td>
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<td>Total costs and expenses</td>
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<td>Earnings before income taxes</td>
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<td>Income taxes</td>
<td>-15,373</td>
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<td>Net earnings</td>
<td>$31,253</td>
<td>$37,478</td>
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Net earnings per share:
- Basic: $0.19, $0.22, $0.61, $0.64
- Diluted: $0.18, $0.21, $0.58, $0.61

Average number of common shares outstanding:
- Basic: 164,900, 170,900, 164,800, 171,300
- Diluted: 171,000, 178,700, 170,700, 179,300

(1) Excludes restaurant depreciation and amortization as follows: $48,443, $42,150, $96,525, $83,973

DARDEN RESTAURANTS, INC.  
CONSOLIDATED BALANCE SHEETS  
(In thousands)  
(Unaudited)

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<tr>
<td>ASSETS</td>
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<tr>
<td>Current assets:</td>
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<td>Cash and cash equivalents</td>
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<td>Receivables</td>
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<td>Inventories</td>
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<td>Prepaid expenses and other current assets</td>
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<td>Deferred income taxes</td>
<td>53,971</td>
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<td>Total current assets</td>
<td>$389,182</td>
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<td>Land, buildings and equipment</td>
<td>2,239,571</td>
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(1) Excludes restaurant depreciation and amortization as follows: $48,443, $42,150, $96,525, $83,973
Other assets                                      183,897       181,872
Total assets                                   $2,812,650     $2,664,633

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:
Accounts payable                                 $167,535       $175,991
Short-term debt                                  70,900         --
Accrued payroll                                   83,155         85,975
Accrued income taxes                             50,843         67,975
Other accrued taxes                               34,761         35,069
Unearned revenues                                 64,894         72,698
Other current liabilities                        222,455        202,201
Total current liabilities                       $694,543       $639,909

Long-term debt                                   655,066        658,086
Deferred income taxes                            160,980        150,537
Other liabilities                                 20,693         19,910
Total liabilities                               $1,531,282     $1,468,442

Stockholders' equity:
Common stock and surplus                        $1,559,909     $1,525,957
Retained earnings                                1,072,715       979,443
Treasury stock                                  -1,295,038     -1,254,293
Accumulated other comprehensive income          -9,544         -10,489
Unearned compensation                           -45,418        -42,848
Officer notes receivable                       -1,256          -1,579
Total stockholders' equity                     $1,281,368     $1,196,191

Total liabilities and stockholders' equity      $2,812,650     $2,664,633

DARDEN RESTAURANTS, INC.
SECOND QUARTER FY 2004 FINANCIAL HIGHLIGHTS
(In millions, except per share data)
(Unaudited)

13 Weeks Ended  26 Weeks Ended

Sales          $1,142.5     $1,071.5     $2,402.2       $2,246.1

Net Earnings    $31.3        $37.5        $99.8         $109.4

Net Earnings per Share:
Basic           $0.19        $0.22        $0.61          $0.64
Diluted         $0.18        $0.21        $0.58          $0.61

Average Number of Common Shares Outstanding:
Basic            164.9        170.9        164.8          171.3
Diluted          171.0        178.7        170.7          179.3

SOURCE Darden Restaurants, Inc.

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