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DARDEN RESTAURANTS INC  
Form 8-K  
December 17, 2004

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

FORM 8-K

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

Date of Report: December 15, 2004  
(Date of earliest event reported)

DARDEN RESTAURANTS, INC.  
(Exact name of registrant as specified in its charter)

Commission File Number: 1-13666

Florida 59-3305930  
(State or other jurisdiction of incorporation) (IRS Employer Identification No.)

5900 Lake Ellenor Drive, Orlando, Florida 32809  
(Address of principal executive offices, including zip code)

(407) 245-4000  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.02 Results of Operations and Financial Condition.

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Darden Restaurants, Inc. (the "Company") issued a news release dated December 16, 2004, entitled "Darden Restaurants Reports Second Quarter Diluted Net Earnings Per Share of 26 Cents; Increases Outlook for Fiscal 2005 Diluted Net Earnings Per Share Growth; Reports Restatement," a copy of which is furnished herewith as Exhibit 99 to this Current Report on Form 8-K.

The information under this Item 2.02 in this Current Report on Form 8-K, including Exhibit 99 hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section. The information in this Current Report on Form 8-K shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

### Item 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.

(a) Following a review of its accounting policy and in consultation with its independent registered public accounting firm, KPMG LLP, the Company has determined that it had incorrectly calculated its straight-line rent expense and related deferred rent liability and has modified its computation to correct this issue. As a result, on December 15, 2004, the Company's Board of Directors concluded that the Company's previously filed financial statements for fiscal years 1996 through 2004 and the first quarter of fiscal 2005 should be restated. Historically, when accounting for leases with renewal options, the Company has recorded rent expense on a straight-line basis over the initial non-cancelable lease term, with the term commencing when actual rent payments began. The Company depreciated its buildings, leasehold improvements and other long-lived assets on those properties over a period that included both the initial non-cancelable term of the lease and all option periods provided for in the lease (or the useful life of the assets if shorter). The Company will restate its financial statements to recognize rent expense on a straight-line basis over the entire lease term, including cancelable option periods where failure to exercise such options would result in an economic penalty. The lease term will commence on the date when the Company becomes legally obligated for the rent payments.

The Company estimates that the cumulative effect of the restatement through fiscal 2004 will be an increase in the deferred rent liability of approximately \$120 million. In addition, the deferred income tax liability as of the end of fiscal 2004 will decrease by approximately \$46 million. As a result, retained earnings at the end of fiscal 2004 will decrease by approximately \$74 million. Rent expense for fiscal years ended 2002, 2003 and 2004 will increase by approximately \$8 million, \$10 million and \$7 million, respectively, and for the first quarter of fiscal 2005 by approximately \$1.8 million. The restatement will decrease diluted net earnings per share by approximately \$0.03, \$0.04 and \$0.03 for fiscal years ended 2002, 2003 and 2004, respectively, and approximately \$0.007 for the first quarter of fiscal 2005. The restatement will not have any impact on the Company's previously reported cash flows, sales or same-restaurant sales or compliance with any covenant under its credit facility or other debt instruments.

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These estimates are subject to change as the Company's independent registered public accounting firm completes its review. The Company will file with the Securities and Exchange Commission (SEC) an amended Form 10-K for the fiscal year ended May 30, 2004, and an amended Form 10-Q for the fiscal quarter ended August 24, 2004, to report these restatements. As a result of the restatement, the financial statements contained in the Company's prior filings

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with the SEC should no longer be relied upon.

The Company's Audit Committee discussed the matters disclosed in this Current Report on Form 8-K pursuant to this Item 4.02(a) with the Company's independent registered public accounting firm, KPMG LLP.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

The following exhibit is being furnished with this Current Report:

| Exhibit Number<br>(by reference to<br>Item 601 of<br>Regulation S-K) | Description   |
|--|---|
| 99   | Press Release dated December 16, 2004, entitled "Darden Restaurants Reports Second Quarter Diluted Net Earnings Per Share of 26 Cents; Increases Outlook for Fiscal 2005 Diluted Net Earnings Per Share Growth; Reports Restatement." |

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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 hereunto duly authorized.

DARDEN RESTAURANTS, INC.

By: /s/ Paula J. Shives

-----  
Paula J. Shives  
Senior Vice President, General  
Counsel and Secretary

Date: December 16, 2004

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EXHIBIT INDEX

| Exhibit Number | Description of Exhibit  |
|----------------|---|
| 99             | Press Release dated December 16, 2004, entitled "Darden Restaurants Reports Second Quarter Diluted Net Earnings Per Share of 26 Cents; Increases Outlook for Fiscal 2005 Diluted Net Earnings Per Share Growth; Reports Restatement." |

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Exhibit 99

DARDEN RESTAURANTS

Red Lobster(R) Olive Garden(R) Bahama Breeze(R) Smokey Bones(R)  
www.darden.com

NEWS/INFORMATION  
Corporate Relations  
P.O. Box 593330  
Orlando, FL 32859

Contacts:

(Analysts) Matthew Stroud (407) 245-6458  
(Media) Jim DeSimone (407) 245-4567

FOR RELEASE  
December 16, 2004  
6:30 PM ET

DARDEN RESTAURANTS REPORTS SECOND QUARTER DILUTED NET EARNINGS  
PER SHARE OF 26 CENTS; INCREASES OUTLOOK FOR FISCAL 2005 DILUTED NET  
EARNINGS PER SHARE GROWTH; REPORTS RESTATEMENT

ORLANDO, FL, December 16 - Darden Restaurants, Inc. today reported quarterly sales of \$1.23 billion for the second quarter ended November 28, 2004, and diluted net earnings per share of 26 cents, a 44% increase over the prior year. These and all other amounts in this press release have been presented on a basis consistent with a restatement that the Company also announced, which is described below.

"This quarter's outstanding results were driven by continued industry leading performance at Olive Garden and significant improvement at Red Lobster," said Clarence Otis, Chief Executive Officer of Darden. "Both companies' strong sales and operating profit results this quarter reflect their focus on brilliance with the basics in two key areas, restaurant operations and brand building. As a result, Olive Garden continued to deliver competitively superior guest experiences and Red Lobster achieved record guest satisfaction results. We believe being even more effective across all of Darden in these key areas is how we'll achieve our goal of being the best in casual dining now and for generations."

Highlights for the quarter ended November 28, 2004, include the following:

- o Net earnings in the second quarter were \$43.0 million or 26 cents per diluted share, on sales of \$1.23 billion, including an earnings per share impact of \$0.007 reflecting the restatement described below. Last year, net earnings were \$30.1 million, or 18 cents per diluted share, on sales of \$1.14 billion, including an earnings per share impact of \$0.007 reflecting the restatement described below.

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- o Total sales of \$1.23 billion represent a 7.6% increase over prior year.
- o Olive Garden reported its 41st consecutive quarter of same-restaurant sales growth with a 5.5% increase.
- o Red Lobster reported same-restaurant sales growth of 3.4% for the quarter.

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- o The Company now expects diluted net earnings per share growth in the range of 22% to 27% on a GAAP basis, which is a growth rate of 10% to 15% excluding the asset impairment and restructuring charge (\$23.1 million after tax or \$0.14 per diluted share) taken in the fourth quarter of fiscal 2004. The Company had previously estimated that diluted net earnings per share growth would be in the range of 8% to 12% excluding the asset impairment and restructuring charge taken in the fourth quarter of fiscal 2004.
- o The Company continued its repurchase of shares, buying back 256,155 shares of its common stock in the quarter.
- o Following a review of its accounting policy and in consultation with its independent registered public accounting firm, KPMG LLP, the Company has corrected its computation of straight-line rent expense and the related deferred rent liability and as a result will restate its prior period financial statements. As discussed below, this restatement has a modest impact on diluted net earnings per share and no impact on the Company's cash flows, sales or same-restaurant sales for prior periods or compliance with any covenant under its credit facility or other debt instruments.

### Operating Highlights

OLIVE GARDEN'S record second quarter sales of \$564.2 million were 8.8% above prior year, driven by a same-restaurant sales increase of 5.5% and revenue from 15 net new restaurants in operation versus last year. This is the 41st consecutive quarter of comparable-restaurant sales growth for Olive Garden and builds on a 4.3% increase in the second quarter last year. The company's increased sales, combined with lower restaurant expenses and depreciation as a percent of sales more than offset increased restaurant labor and selling, general and administrative expenses as a percent of sales. This resulted in a record operating profit for the second quarter.

RED LOBSTER'S second quarter sales of \$569.2 million were 4.4% above prior year, driven by a same-restaurant sales increase of 3.4%. Red Lobster's increased sales along with lower food and beverage expenses as a percent of sales, lower restaurant labor costs as a percent of sales, lower restaurant expense as a percent of sales and lower selling, general and administrative expenses as a percent of sales, resulted in record operating profit for the second quarter.

BAHAMA BREEZE delivered improved financial performance this quarter. Operating five fewer restaurants than the prior year, Bahama Breeze achieved lower cost of sales and labor expenses as a percent of sales while strengthening the guest experience it provides.

SMOKEY BONES opened seven restaurants during the second quarter, bringing the year-to-date total to 14 openings. In addition, the company has opened five more restaurants since the end of the quarter. As a result, Smokey Bones now has 88 restaurants in operation. It expects to open a total of 30 to 40 restaurants

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during the fiscal year.

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"This was an outstanding quarter at both of our established operating companies," said Drew Madsen, President and Chief Operating Officer for Darden. "Olive Garden has a trusted brand, superior in-restaurant operations and highly effective marketing. They continue to deliver consistently strong growth and exceptional levels of absolute performance. Red Lobster also had a tremendous quarter, driven by record guest satisfaction, improved cost management and a powerful "Endless Shrimp" promotion. They have made significant progress in improving their business fundamentals. Smokey Bones and Bahama Breeze also made progress strengthening their business models and improving their guest experience."

### Outlook

The Company now expects diluted net earnings per share growth in the range of 22% to 27% on a GAAP basis, which is a growth rate of 10% to 15% excluding the asset impairment and restructuring charge (\$23.1 million after tax or \$0.14 per diluted share) taken in the fourth quarter of fiscal 2004. The Company had previously estimated that diluted net earnings per share growth would be in the range of 8% to 12% excluding the asset impairment and restructuring charge taken in the fourth quarter of fiscal 2004.

### Other Actions

Darden continued the buyback of its common stock, purchasing 256,155 shares in the second quarter. Since December 1995, the Company has repurchased 112.4 million shares under authorizations totaling 137.4 million shares.

### Restatement

Following a review of its accounting policy and in consultation with its independent registered public accounting firm, KPMG LLP, the Company has corrected its computation of straight-line rent expense and the related deferred rent liability. As a result, the Company will restate its financial statements for fiscal 1996 through fiscal 2004 and for the first quarter of fiscal 2005. Historically, when accounting for leases with renewal options, the Company has recorded rent expense on a straight-line basis over the initial non-cancelable lease term, with the term commencing when actual rent payments began. The Company depreciated its buildings, leasehold improvements and other long-lived assets on those properties over a period that included both the initial non-cancelable term of the lease and all option periods provided for in the lease (or the useful life of the assets if shorter). The Company will restate its financial statements to recognize rent expense on a straight-line basis over the entire lease term, including cancelable option periods where failure to exercise such options would result in an economic penalty. The lease term will commence on the date when the Company becomes legally obligated for the rent payments.

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The Company estimates that the cumulative effect of the restatement through fiscal 2004 will be an increase in the deferred rent liability of approximately \$120 million. In addition, the deferred income tax liability as of the end of fiscal 2004 will decrease by approximately \$46 million. As a result, retained earnings at the end of fiscal 2004 will decrease by approximately \$74 million. Rent expense for fiscal years ended 2002, 2003 and 2004 will increase by approximately \$8 million, \$10 million and \$7 million, respectively, and for the first quarter of fiscal 2005 by approximately \$1.8 million. The restatement will decrease diluted net earnings per share by approximately \$0.03, \$0.04 and \$0.03 for the fiscal years ended 2002, 2003 and 2004, respectively, and approximately \$0.007 for the first quarter of fiscal 2005. The restatement will not have any impact on the Company's previously reported cash flows, sales or same-restaurant sales or compliance with any covenant under its credit facility or other debt instruments.

These estimates are subject to change as the Company's independent registered public accounting firm completes its review. The Company will amend the appropriate filings with the Securities and Exchange Commission (SEC) to include the restated financial statements. As a result of the restatement, the financial statements contained in the Company's prior filings with the SEC should no longer be relied upon.

### November 2005 Same-Restaurant Sales Results

Darden reported same-restaurant sales for the four-week November fiscal month ended November 28, 2004. This period is the last month of Darden's fiscal 2005 second quarter.

Same-restaurant sales at Olive Garden were up 4% to 5% for fiscal November, which reflected a 3% to 4% increase in guest counts and approximately 1% increase in check average. The check average increase was a result of a 2% increase in pricing and a 1% decrease from menu mix changes. Last year, Olive Garden had an increase of 8% to 9% in same-restaurant sales during fiscal November.

Same-restaurant sales at Red Lobster were up approximately 2% for fiscal November, which reflected a decrease of approximately 2% in guest counts and an increase of approximately 4% in check average from menu mix changes. Last year, Red Lobster realized an 8% to 9% decrease in same-restaurant sales during fiscal November.

The Company estimates that this year's shift of Thanksgiving from fiscal December to fiscal November adversely affected November same-restaurant sales results at both Olive Garden and Red Lobster by approximately 2 to 3 percentage points.

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 \$5.0 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 completion of the accounting restatement, 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.

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DARDEN RESTAURANTS, INC.  
NUMBER OF RESTAURANTS

| 11/28/04<br>----- |                     | 11/23/03<br>----- |
|-------------------|---------------------|-------------------|
| 649               | Red Lobster USA     | 649               |
| 31                | Red Lobster Canada  | 31                |
| -----             | -----               | -----             |
| 680               | Total Red Lobster   | 680               |
| 541               | Olive Garden USA    | 526               |
| 6                 | Olive Garden Canada | 6                 |
| -----             | -----               | -----             |
| 547               | Total Olive Garden  | 532               |
| 32                | Bahama Breeze       | 37                |
| 83                | Smokey Bones BBQ    | 53                |
| 1                 | Seasons 52          | 1                 |
| -----             | -----               | -----             |
| 1,343             | Total Restaurants   | 1,303             |

DARDEN RESTAURANTS, INC.  
SECOND QUARTER FY 2005 FINANCIAL HIGHLIGHTS  
(In millions, except per share data)  
(Unaudited)

|   | 13 Weeks Ended<br>----- |                                 | 26 Weeks Ended<br>----- |                                 |
|---|-------------------------|---------------------------------|-------------------------|---------------------------------|
|   | 11/28/2004<br>-----     | Restated<br>11/23/2003<br>----- | 11/28/2004<br>-----     | Restated<br>11/23/2003<br>----- |
| Sales   | \$ 1,229.4              | \$ 1,142.5                      | \$ 2,508.0              | \$ 2,402.2                      |
| Net earnings                                    | \$ 43.0                 | \$ 30.1                         | \$ 114.0                | \$ 97.5                         |
| Net earnings per share:                         |                         |                                 |                         |                                 |
| Basic   | \$ 0.27                 | \$ 0.18                         | \$ 0.73                 | \$ 0.59                         |
| Diluted   | \$ 0.26                 | \$ 0.18                         | \$ 0.70                 | \$ 0.57                         |
| Average number of common<br>shares outstanding: |                         |                                 |                         |                                 |
| Basic   | 156.8                   | 164.9                           | 157.2                   | 164.8                           |



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Diluted 163.4 171.0 163.4 170.7

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DARDEN RESTAURANTS, INC.  
 CONSOLIDATED STATEMENTS OF EARNINGS  
 (In thousands, except per share data)  
 (Unaudited)

|   | 13 Weeks Ended |                        | 26 Weeks Ended |
|---|----------------|------------------------|----------------|
|   | 11/28/2004     | Restated<br>11/23/2003 | 11/28/2004     |
|   | -----          | -----                  | -----          |
| Sales   | \$ 1,229,373   | \$ 1,142,543           | \$ 2,508,017   |
| Costs and expenses:   |                |                        |                |
| Cost of sales:  |                |                        |                |
| Food and beverage   | 368,036        | 346,200                | 759,457        |
| Restaurant labor  | 400,714        | 375,614                | 806,530        |
| Restaurant expenses   | 202,225        | 192,939                | 397,225        |
| Total cost of sales (1)   | \$ 970,975     | \$ 914,753             | \$ 1,963,212   |
| Selling, general and administrative                               | 130,785        | 120,320                | 245,365        |
| Depreciation and amortization                                     | 53,176         | 52,048                 | 105,936        |
| Interest, net   | 11,007         | 10,725                 | 21,971         |
| Total costs and expenses  | \$ 1,165,943   | \$ 1,097,846           | \$ 2,336,484   |
| Earnings before income taxes                                      | 63,430         | 44,697                 | 171,533        |
| Income taxes  | (20,416)       | (14,638)               | (57,497)       |
|   | \$ 43,014      | \$ 30,059              | \$ 114,036     |
| Net earnings per share:   |                |                        |                |
| Basic   | \$ 0.27        | \$ 0.18                | \$ 0.73        |
| Diluted   | \$ 0.26        | \$ 0.18                | \$ 0.70        |
| Average number of common shares outstanding:                      |                |                        |                |
| Basic   | 156,800        | 164,900                | 157,200        |
| Diluted   | 163,400        | 171,000                | 163,400        |
| (1) Excludes restaurant depreciation and amortization as follows: | \$ 49,486      | \$ 48,443              | \$ 98,705      |

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DARDEN RESTAURANTS, INC.  
CONSOLIDATED STATEMENTS OF EARNINGS  
SUMMARY OF RESTATEMENT IMPACTS  
13 WEEKS ENDED 11/23/2003  
(In thousands, except per share data)  
(Unaudited)

|  | As reported<br>----- | Adjustments<br>----- | As restate<br>----- |
|--|----------------------|----------------------|---------------------|
| Sales  | \$ 1,142,543         | \$ --                | \$ 1,142,5          |
| Costs and expenses:                          |                      |                      |                     |
| Cost of sales:                               |                      |                      |                     |
| Food and beverage                            | 346,200              | --                   | 346,2               |
| Restaurant labor                             | 375,614              | --                   | 375,6               |
| Restaurant expenses                          | 191,010              | 1,929                | 192,9               |
| Total cost of sales                          | \$ 912,824           | \$ 1,929             | 914,7               |
| Selling, general and administrative          | 120,320              | --                   | 120,3               |
| Depreciation and amortization                | 52,048               | --                   | 52,0                |
| Interest, net                                | 10,725               | --                   | 10,7                |
| Total costs and expenses                     | \$ 1,095,917         | \$ 1,929             | \$ 1,097,8          |
| Earnings before income taxes                 | 46,626               | (1,929)              | 44,6                |
| Income taxes                                 | (15,373)             | 735                  | (14,6               |
| Net earnings                                 | \$ 31,253            | \$ (1,194)           | \$ 30,0             |
| Net earnings per share:                      |                      |                      |                     |
| Basic  | \$ 0.19              | \$ (0.01)            | \$ 0.               |
| Diluted                                      | \$ 0.18              | \$ --                | \$ 0.               |
| Average number of common shares outstanding: |                      |                      |                     |
| Basic  | 164,900              | --                   | 164,9               |
| Diluted                                      | 171,000              | --                   | 171,0               |

DARDEN RESTAURANTS, INC.  
CONSOLIDATED STATEMENTS OF EARNINGS  
SUMMARY OF RESTATEMENT IMPACTS  
26 WEEKS ENDED 11/23/2003  
(In thousands, except per share data)  
(Unaudited)

|                     | As reported<br>----- | Adjustments<br>----- | As restate<br>----- |
|---------------------|----------------------|----------------------|---------------------|
| Sales               | \$ 2,402,232         | \$ --                | \$ 2,402,232        |
| Costs and expenses: |                      |                      |                     |
| Cost of sales:      |                      |                      |                     |
| Food and beverage   | 742,913              | --                   | 742,913             |
| Restaurant labor    | 767,949              | --                   | 767,949             |
| Restaurant expenses | 381,832              | 3,845                | 385,677             |
| Total cost of sales | \$ 1,892,694         | \$ 3,845             | \$ 1,896,539        |

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|  |              |            |              |
|--|--------------|------------|--------------|
| Selling, general and administrative          | 233,961      | --         | 233,961      |
| Depreciation and amortization                | 103,601      | --         | 103,601      |
| Interest, net                                | 21,366       | --         | 21,366       |
| Total costs and expenses                     | \$ 2,251,622 | \$ 3,845   | \$ 2,255,467 |
| Earnings before income taxes                 | 150,610      | (3,845)    | 146,765      |
| Income taxes                                 | (50,763)     | 1,465      | (49,298)     |
| Net earnings                                 | \$ 99,847    | \$ (2,380) | \$ 97,467    |
| Net earnings per share:                      |              |            |              |
| Basic  | \$ 0.61      | \$ (0.02)  | \$ 0.59      |
| Diluted                                      | \$ 0.58      | \$ (0.01)  | \$ 0.57      |
| Average number of common shares outstanding: |              |            |              |
| Basic  | 164,800      | --         | 164,800      |
| Diluted                                      | 170,700      | --         | 170,700      |

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

|   | 11/28/2004   | Restated<br>5/30/2004 |
|---|--------------|-----------------------|
|   | -----        | -----                 |
| ASSETS                                    |              |                       |
| Current assets:                           |              |                       |
| Cash and cash equivalents                 | \$ 60,431    | \$ 36,694             |
| Receivables                               | 30,905       | 30,258                |
| Inventories                               | 236,441      | 198,781               |
| Assets held for sale                      | 889          | --                    |
| Prepaid expenses and other current assets | 22,670       | 25,316                |
| Deferred income taxes                     | 60,338       | 55,258                |
| Total current assets                      | \$ 411,674   | \$ 346,307            |
| Land, buildings and equipment             | 2,292,062    | 2,250,616             |
| Other assets                              | 184,182      | 183,425               |
| Total assets                              | \$ 2,887,918 | \$ 2,780,348          |
| LIABILITIES AND STOCKHOLDERS' EQUITY      |              |                       |
| Current liabilities:                      |              |                       |
| Accounts payable                          | \$ 162,142   | \$ 174,624            |
| Short-term debt                           | --           | 14,500                |
| Accrued payroll                           | 92,600       | 103,327               |
| Accrued income taxes                      | 91,495       | 48,753                |
| Other accrued taxes                       | 36,083       | 38,440                |
| Unearned revenues                         | 71,154       | 75,513                |
| Current portion of long-term debt         | 149,931      | --                    |
| Other current liabilities                 | 246,493      | 228,324               |
| Total current liabilities                 | \$ 849,898   | \$ 683,481            |
| Long-term debt, less current portion      | 502,574      | 653,349               |
| Deferred income taxes                     | 123,944      | 130,370               |
| Deferred rent liability                   | 133,394      | 128,952               |

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|   |              |              |
|---|--------------|--------------|
| Other liabilities                             | 15,093       | 12,661       |
| Total liabilities                             | \$ 1,624,903 | \$ 1,608,813 |
| Stockholders' equity:                         |              |              |
| Common stock and surplus                      | \$ 1,632,633 | \$ 1,584,115 |
| Retained earnings                             | 1,231,684    | 1,123,900    |
| Treasury stock                                | (1,547,759)  | (1,483,768)  |
| Accumulated other comprehensive income (loss) | (7,478)      | (10,173)     |
| Unearned compensation                         | (45,281)     | (41,401)     |
| Officer notes receivable                      | (784)        | (1,138)      |
| Total stockholders' equity                    | \$ 1,263,015 | \$ 1,171,535 |
| Total liabilities and stockholders' equity    | \$ 2,887,918 | \$ 2,780,348 |

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DARDEN RESTAURANTS, INC.  
CONSOLIDATED BALANCE SHEETS  
5/30/2004  
(In thousands)  
(Unaudited)

|   | As Reported  | Adjustments |      |
|---|--------------|-------------|------|
|   | -----        | -----       |      |
| ASSETS                                    |              |             |      |
| Current assets:                           |              |             |      |
| Cash and cash equivalents                 | \$ 36,694    | \$ --       | \$   |
| Receivables                               | 30,258       | --          |      |
| Inventories                               | 198,781      | --          |      |
| Prepaid expenses and other current assets | 25,316       | --          |      |
| Deferred income taxes                     | 55,258       | --          |      |
| Total current assets                      | \$ 346,307   | \$ --       | \$   |
| Land, buildings and equipment             | 2,250,616    | --          | 2    |
| Other assets                              | 183,425      | --          |      |
| Total assets                              | \$ 2,780,348 | \$ --       | \$ 2 |
| LIABILITIES AND STOCKHOLDERS' EQUITY      |              |             |      |
| Current liabilities:                      |              |             |      |
| Accounts payable                          | \$ 174,624   | \$ --       | \$   |
| Short-term debt                           | 14,500       | --          |      |
| Accrued payroll                           | 103,327      | --          |      |
| Accrued income taxes                      | 48,753       | --          |      |
| Other accrued taxes                       | 38,440       | --          |      |
| Unearned revenues                         | 75,513       | --          |      |
| Other current liabilities                 | 228,324      | --          |      |
| Total current liabilities                 | \$ 683,481   | \$ --       | \$   |
| Long-term debt, less current portion      | 653,349      | --          |      |

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|   |              |             |      |
|---|--------------|-------------|------|
| Deferred income taxes   | 176,216      | (45,846)    |      |
| Deferred rent liability   | --           | 128,952     |      |
| Other liabilities   | 21,532       | (8,871)     |      |
| Total liabilities   | \$ 1,534,578 | \$ 74,235   | \$ 1 |
| Stockholders' equity:   |              |             |      |
| Common stock and surplus, no par value.   |              |             |      |
| Authorized 500,000 shares: issued 264,907 and 261,463, shares, respectively; outstanding 158,431 and 164,950 shares, respectively |              |             |      |
|   | \$ 1,584,115 | \$ --       | \$ 1 |
| Preferred stock, no par value.  |              |             |      |
| Authorized 25,000 shares; none issued and outstanding   |              |             |      |
|   | --           | --          |      |
| Retained earnings   | 1,197,921    | (74,021)    | 1    |
| Treasury stock, 106,476 and 96,513 shares, at cost, respectively  | (1,483,768)  | --          | (1   |
| Accumulated other comprehensive income (loss)   | (9,959)      | (214)       |      |
| Unearned compensation   | (41,401)     | --          |      |
| Officer notes receivable  | (1,138)      | --          |      |
| Total stockholders' equity  | \$ 1,245,770 | \$ (74,235) | \$ 1 |
| Total liabilities and stockholders' equity  | \$ 2,780,348 | \$ --       | \$ 2 |

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