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DARDEN RESTAURANTS INC
Form 8-K
March 20, 2003

As filed with the Securities and Exchange Commission on March 20, 2003.

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 (Date of earliest event reported):
March 20, 2003

Darden Restaurants, Inc.
(Exact name of registrant as specified in its charter)

Florida	1-13666	59-3305930
(State or other jurisdiction of incorporation)	(Commission file number)	(IRS employer identification No.)

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

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

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

Item 5. Other Events.

On March 20, 2003, the Company issued a news release entitled "Darden Restaurants Reports Third Quarter Diluted Earnings Per Share of 35 Cents," a copy of which is being filed herewith as Exhibit 99.

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Item 7. Financial Statements and Exhibits.

(c) Exhibits.

Exhibit Number (by reference to Item 601 of Regulation S-K)	Description
99	Press Release dated March 20, 2003 entitled "Darden Restaurants Reports Third Quarter Diluted Earnings Per Share of 35 Cents."

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SIGNATURES

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.

Dated: March 20, 2003

DARDEN RESTAURANTS, INC.

By: /s/ Paula J. Shives

Paula J. Shives
Senior Vice President
General Counsel and Secretary

INDEX TO EXHIBITS

Exhibit Number	Description of Exhibit
99	Press Release dated March 20, 2003, entitled "Darden Restaurants Reports Third Quarter Diluted Earnings Per Share of 35 Cents."

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
March 20, 2003
4:30 PM EST

DARDEN RESTAURANTS REPORTS THIRD QUARTER
DILUTED EARNINGS PER SHARE OF 35 CENTS

ORLANDO, FL., Mar. 20 - Darden Restaurants, Inc. today reported record quarterly sales of \$1.18 billion for the fiscal third quarter ended February 23, 2003, and earnings per diluted share of 35 cents, a 3% decline from prior year.

"We are disappointed with our performance this quarter," said Joe Lee, Darden's Chairman and Chief Executive Officer. "We achieved strong sales and profit growth last year, and some of the actions we took to build on this performance, did not meet expectations. Unanticipated workers' compensation and public liability expenses and severe weather also adversely affected our performance. We are re-focusing the efforts of all of our companies on the keys to sustained long-term success - brilliance with the basics of operations, and brand building excellence. Our goals are to deliver delicious food and exceptional service to

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our guests in a warm and friendly atmosphere; this will reinforce their emotional connection to and trust in our terrific combination of proven and emerging brands. This is the path to once again create industry-leading shareholder value and achieve our goal of being the best in casual dining, now and for generations."

Highlights for the quarter ended February 23, 2003, included the following:

- o Earnings after tax in the third quarter were \$61.8 million, or 35 cents per diluted share, on sales of \$1.18 billion. Last year, earnings after tax were \$66.2 million, or 36 cents per diluted share, on sales of \$1.12 billion.
- o Total sales of \$1.18 billion for the quarter represent a 5.1% increase over prior year, and establish a new third quarter record for Darden.
- o Red Lobster reported its 21st consecutive quarter of same-restaurant sales growth with a 1.2% increase.
- o Olive Garden reported its 34th consecutive quarter of same-restaurant sales growth with a 0.3% increase.

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- o Same-restaurant sales results for Red Lobster and Olive Garden would have been approximately two percentage points higher this quarter but were adversely affected by two factors - a shift in the Thanksgiving holiday, which was observed in Darden's fiscal third quarter this year but in the second quarter last year, and more severe winter weather than last year. Each factor impacted sales by approximately one percentage point.
- o Earnings results were also negatively impacted by unanticipated worker's compensation and insurance costs, higher than expected utility expense, increased marketing expense in response to the challenging economic and competitive environment and higher incremental pre-opening expense versus prior year due to an increase in new restaurant openings.
- o The Company continued its share repurchase program, buying back 1.7 million shares of its common stock in the quarter.

Operating Highlights

OLIVE GARDEN'S third quarter sales grew 5.7% from prior year to \$505.4 million, driven primarily by its 28 net new restaurants in operation versus last year. Olive Garden achieved its 34th consecutive quarter of same-restaurant sales growth with a 0.3% increase on top of last year's 9.8% same-restaurant sales growth. Nine new restaurants with Olive Garden's Tuscan Farmhouse design were opened during the quarter. The company's sales, a third quarter record, combined with lower food and beverage expense and restaurant labor costs as a percent of sales, to more than offset increased restaurant and marketing expense to deliver record third quarter operating profit.

"We achieved solid growth in total sales and operating profit in a difficult environment," said Drew Madsen, President of Olive Garden. "Severe winter weather and a weak economy hindered our same restaurant sales growth, but our team stayed focused on delivering a great guest experience, brand building innovation and balanced cost management to produce strong financial results for the quarter. Our promise of providing a genuine Italian dining experience

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continues to resonate with our guests and differentiate us from our competitors."

RED LOBSTER'S third quarter sales of \$620.6 million were a 2.3% increase from the prior year, driven by nine additional restaurants in operation versus prior year and a 1.2% increase in same-restaurant sales. The increase extended Red Lobster's string of comparable sales gains to 21 consecutive quarters. However, Red Lobster's total sales were lower than planned. As a result, restaurant labor costs, restaurant expenses, and selling, general and administrative expenses each increased as a percent of sales, leading to a decline in operating profit versus last year.

"We are disappointed with our performance this quarter," said Edna Morris, President of Red Lobster. "It was a challenging period with tough comparisons from prior year and many of our investments did not produce the results we anticipated. However, our crews continue to deliver outstanding food and hospitality to our guests and external measures show the dining experience continues to improve. The fundamental strength of our brand and quality of our crew demonstrates we have the necessary tools to help us achieve solid sales and operating profit growth in the future."

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BAHAMA BREEZE has opened three restaurants this fiscal year and two more restaurants, located in Cleveland and Seattle, are scheduled to open during the fourth quarter.

SMOKEY BONES opened seven new restaurants during the quarter. In addition, two more restaurants have opened since the end of the quarter, one in Boca Raton and the other in Indianapolis. Year-to-date, Smokey Bones has opened 17 new restaurants. In fiscal year 2003, at least 20 restaurants are expected to open, more than doubling the number open at the end of fiscal 2002.

Other Actions

The Board of Directors also today declared a regular semi-annual cash dividend of 4 cents per share on the Company's outstanding common stock. The dividend is payable on May 1, 2003 to shareholders of record at the close of business on April 10, 2003.

Darden continued its buyback of common stock, purchasing 1.7 million shares in the third quarter. Cumulatively, since the initial authorization of its repurchase program in December 1995, the Company has repurchased 92.7 million shares, and it has approximately 22.7 million shares remaining under current authorizations.

After the end of the third quarter, Darden opened a new test restaurant in Orlando called Seasons 52(SM). It is a casually sophisticated fresh grill and wine bar with seasonally inspired menus offering the freshest ingredients to create great tasting, nutritionally balanced entrees that are lower in calories than comparable restaurant meals.

February 2003 Same-Restaurant Sales Results

Darden also reported same-restaurant sales for the four-week February fiscal month ended February 23, 2003. This period is the last month of the Company's

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fiscal 2003 third quarter. February's sales and traffic at both Olive Garden and Red Lobster were affected adversely by approximately 2.5 percentage points as a result of more severe weather than last year across much of the nation.

Same-restaurant sales at Olive Garden were up 1% for the month, reflecting a 3% to 4% increase in check average and a 2% to 3% decline in guest traffic. The check average increase was a result of a 2% to 3% increase in pricing and a 0% to 1% increase from menu mix changes. Same-restaurant sales at Olive Garden during February last year increased 6% to 7%.

Same-restaurant sales at Olive Garden were up 1% for the month, reflecting a 3% to 4% increase in check average and a 2% to 3% decline in guest traffic. The check average increase was a result of a 2% to 3% increase in pricing and a 0% to 1% increase from menu mix changes. Same-restaurant sales at Olive Garden during February last year increased 6% to 7%.

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Same-restaurant sales at Red Lobster were down 2% to 3% for the month, reflecting a 4% increase in check average and a 6% to 7% decline in guest traffic. The check average increase was a result of a 1% to 2% increase in pricing and a 2% to 3% increase from menu mix changes. Same-restaurant sales at Red Lobster during February last year increased 12% to 13%.

Darden Restaurants, Inc., headquartered in Orlando, FL, owns and operates over 1,250 Red Lobster, Olive Garden, Bahama Breeze and Smokey Bones restaurants with annual sales of \$4.4 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.

DARDEN RESTAURANTS, INC. NUMBER OF RESTAURANTS

2/23/03		2/24/02
-----		-----
641	Red Lobster USA	631
31	Red Lobster Canada	32
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672	Total Red Lobster	663
510	Olive Garden USA	482
6	Olive Garden Canada	6
-----		-----
516	Total Olive Garden	488
32	Bahama Breeze	26

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34	Smokey Bones	16
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1,254	Total Restaurants	1,193

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DARDEN RESTAURANTS, INC.
 THIRD QUARTER FY 2003 FINANCIAL HIGHLIGHTS
 (In Millions, Except per Share Data)
 (Unaudited)

	13 Weeks Ended		2/23/2002
	2/23/2003	2/24/2002	
	-----	-----	-----
Sales	\$1,181.4	\$1,124.5	\$3,4
Net Earnings (1)	\$61.8	\$66.2	\$1
Net Earnings per Share (1):			
Basic	\$0.36	\$0.38	\$
Diluted	\$0.35	\$0.36	\$
Average Number of Common Shares Outstanding:			
Basic	170.7	175.0	1
Diluted	177.5	184.4	1
Note:			
(1) Earnings before restructuring credit were as follows:			
Earnings before Restructuring Credit	\$61.8	\$66.2	\$1
Earnings per Share before Restructuring Credit:			
Basic	\$0.36	\$0.38	\$
Diluted	\$0.35	\$0.36	\$

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DARDEN RESTAURANTS, INC.
 CONSOLIDATED STATEMENTS OF EARNINGS
 (In Thousands, Except per Share Data)
 (Unaudited)

	13 Weeks Ended		2/23/2002
	2/23/2003	2/24/2002	
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Sales	\$1,181,383	\$1,124,472	\$3,427
Costs and Expenses:			
Cost of sales:			
Food and beverage	364,328	350,310	1,060
Restaurant labor	375,320	358,327	1,098
Restaurant expenses	180,674	157,596	519
Total Cost of Sales	920,322	866,233	2,678
Selling, general and administrative	108,935	104,482	319
Depreciation and amortization	48,132	41,865	139
Interest, net	10,669	9,116	31
Restructuring credit and asset impairment (1)	--	--	--
Total Costs and Expenses	1,088,058	1,021,696	3,168
Earnings before Income Taxes	93,325	102,776	258
Income Taxes	-31,539	-36,556	-87
Net Earnings	\$61,786	\$66,220	\$171

Net Earnings per Share:			
Basic	\$0.36	\$0.38	\$
Diluted	\$0.35	\$0.36	\$

Average Number of Common Shares Outstanding:			
Basic	170,700	175,000	171
Diluted	177,500	184,400	178

Note:

(1) Earnings before restructuring credit were as follows:

	13 Weeks Ended		39
	2/23/2003	2/24/2002	2/23/
	-----	-----	-----
Pretax Earnings before Restructuring Credit	\$93,325	\$102,776	\$258
Income Taxes	-31,539	-36,556	-87
Earnings before Restructuring Credit	\$61,786	\$66,220	\$171
Earnings per Share before Restructuring Credit:			
Basic	\$0.36	\$0.38	\$
Diluted	\$0.35	\$0.36	\$

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

	2/23/2003	05
ASSETS		
Current Assets:		
Cash and cash equivalents	\$124,678	
Short-term investments	--	
Receivables	29,828	

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Inventories	213,856	
Assets held for disposal	9,613	
Prepaid expenses and other current assets	17,013	
Deferred income taxes	49,874	
Total Current Assets	\$444,862	
Land, Buildings and Equipment	2,101,089	1
Other Assets	172,401	
Total Assets	\$2,718,352	\$2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$189,223	
Accrued payroll	80,729	
Accrued income taxes	60,764	
Other accrued taxes	32,481	
Other current liabilities	302,806	
Total Current Liabilities	\$666,003	
Long-term Debt	658,648	
Deferred Income Taxes	135,542	
Other Liabilities	19,528	
Total Liabilities	\$1,479,721	\$1
Stockholders' Equity:		
Common stock and surplus	\$1,520,999	\$1
Retained earnings	925,039	
Treasury stock	-1,148,677	-1
Accumulated other comprehensive income	-12,578	
Unearned compensation	-44,568	
Officer notes receivable	-1,584	
Total Stockholders' Equity	\$1,238,631	\$1
Total Liabilities and Stockholders' Equity	\$2,718,352	\$2

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