

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

	May 27, 2018	May 28, 2017	May 29, 2016
Sales	\$ 8,080.1	\$ 7,170.2	\$ 6,933.5
Costs and expenses:			
Food and beverage	2,303.1	2,070.3	2,039.7
Restaurant labor	2,614.5	2,265.3	2,189.2
Restaurant expenses	1,417.1	1,265.2	1,163.5
Marketing expenses	252.3	239.7	238.0
General and administrative expenses	409.8	387.7	384.9
Depreciation and amortization	313.1	272.9	290.2
Impairments and disposal of assets, net	3.4	(8.4)	5.8
Total operating costs and expenses	\$ 7,313.3	\$ 6,492.7	\$ 6,311.3
Operating income	766.8	677.5	622.2
Interest, net	161.1	40.2	172.5
Earnings before income taxes	605.7	637.3	449.7
Income tax expense	1.9	154.8	90.0
Earnings from continuing operations	\$ 603.8	\$ 482.5	\$ 359.7
Earnings (loss) from discontinued operations, net of tax expense (benefit) of \$(4.8), \$(4.2) and \$3.4, respectively	(7.8)	(3.4)	15.3
Net earnings	\$ 596.0	\$ 479.1	\$ 375.0
Basic net earnings per share:			
Earnings from continuing operations	\$ 4.87	\$ 3.88	\$ 2.82
Earnings (loss) from discontinued operations	(0.06)	(0.03)	0.12
Net earnings	\$ 4.81	\$ 3.85	\$ 2.94
Diluted net earnings per share:			
Earnings from continuing operations	\$ 4.79	\$ 3.83	\$ 2.78
Earnings (loss) from discontinued operations	(0.06)	(0.03)	0.12
Net earnings	\$ 4.73	\$ 3.80	\$ 2.90
Average number of common shares outstanding:			
Basic	124.0	124.3	127.4
Diluted	126.0	126.0	129.3
Dividends declared per common share	\$ 2.52	\$ 2.24	\$ 2.10

See accompanying notes to consolidated financial statements.

DARDEN RESTAURANTS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions)

	May 27, 2018	May 28, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 146.9	\$ 233.1
Receivables, net	83.7	75.9
Inventories	205.3	178.9
Prepaid income taxes	15.9	6.2
Prepaid expenses and other current assets	89.9	80.6
Assets held for sale	11.9	13.2
Total current assets	\$ 553.6	\$ 587.9
Land, buildings and equipment, net	2,429.8	2,272.3
Goodwill	1,183.7	1,201.7
Trademarks	950.8	950.2
Other assets	351.7	280.2
Total assets	\$ 5,469.6	\$ 5,292.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 277.0	\$ 249.5
Accrued payroll	177.5	149.1
Accrued income taxes	—	1.9
Other accrued taxes	56.6	54.2
Unearned revenues	415.8	388.6
Other current liabilities	457.6	445.9
Total current liabilities	\$ 1,384.5	\$ 1,289.2
Long-term debt	926.5	936.6
Deferred income taxes	114.0	145.6
Deferred rent	318.0	282.8
Other liabilities	531.8	536.4
Total liabilities	\$ 3,274.8	\$ 3,190.6
Stockholders' equity:		
Common stock and surplus, no par value. Authorized 500.0 shares; issued 124.8 and 126.7 shares, respectively; outstanding 123.5 and 125.4 shares, respectively	1,631.9	1,614.6
Preferred stock, no par value. Authorized 25.0 shares; none issued and outstanding	—	—
Retained earnings	657.6	560.1
Treasury stock, 1.3 and 1.3 shares, at cost, respectively	(7.8)	(7.8)
Accumulated other comprehensive income (loss)	(85.2)	(62.9)
Unearned compensation	(1.7)	(2.3)
Total stockholders' equity	\$ 2,194.8	\$ 2,101.7
Total liabilities and stockholders' equity	\$ 5,469.6	\$ 5,292.3

See accompanying notes to consolidated financial statements.

DARDEN RESTAURANTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Fiscal Year Ended		
	May 27, 2018	May 28, 2017	May 29, 2016
Cash flows - operating activities			
Net earnings	\$ 596.0	\$ 479.1	\$ 375.0
(Earnings) losses from discontinued operations, net of tax	7.8	3.4	(15.3)
Adjustments to reconcile net earnings from continuing operations to cash flows:			
Depreciation and amortization	313.1	272.9	290.2
Impairments and disposal of assets, net	3.4	(8.4)	5.8
Amortization of loan costs and losses on interest-rate related derivatives	1.6	1.0	3.6
Stock-based compensation expense	42.8	40.7	37.3
Change in current assets and liabilities	(8.0)	112.6	13.7
Contributions to pension and postretirement plans	(62.0)	(1.6)	(26.5)
Change in cash surrender value of trust-owned life insurance	(11.2)	(10.3)	3.3
Deferred income taxes	(20.6)	(22.9)	(10.8)
Change in deferred rent	36.6	32.9	23.8
Change in other assets and liabilities	14.6	(5.0)	5.3
Loss on extinguishment of debt	102.2	—	106.8
Other, net	3.5	21.9	8.2
Net cash provided by operating activities of continuing operations	\$ 1,019.8	\$ 916.3	\$ 820.4
Cash flows - investing activities			
Purchases of land, buildings and equipment	(396.0)	(293.0)	(228.3)
Proceeds from disposal of land, buildings and equipment	3.3	8.3	325.2
Cash used in business acquisitions, net of cash acquired	(40.4)	(764.4)	—
Purchases of capitalized software and other assets	(22.8)	(25.3)	(23.3)
Other, net	4.8	4.7	1.8
Net cash provided by (used in) investing activities of continuing operations	\$ (451.1)	\$ (1,069.7)	\$ 75.4
Cash flows - financing activities			
Proceeds from issuance of common stock	37.8	113.1	99.3
Income tax benefits credited to equity	—	27.2	17.5
Special cash distribution from Four Corners Property Trust	—	—	315.0
Dividends paid	(313.5)	(279.1)	(268.2)
Repurchases of common stock	(234.8)	(230.2)	(184.8)
Proceeds from issuance of short-term debt	960.0	—	—
Repayments of short-term debt	(960.0)	—	—
Repayments of long-term debt	(408.2)	—	(1,096.8)
Proceeds from issuance of long-term debt	300.0	500.0	—
Principal payments on capital and financing leases	(5.4)	(3.9)	(3.4)
Proceeds from financing lease obligation	—	5.7	—
Other, net	(12.5)	(3.6)	0.6
Net cash provided by (used) in financing activities of continuing operations	\$ (636.6)	\$ 129.2	\$ (1,120.8)
Cash flows - discontinued operations			
Net cash used in operating activities of discontinued operations	(18.5)	(18.3)	(42.4)
Net cash provided by investing activities of discontinued operations	0.2	0.8	6.3
Net cash used in discontinued operations	\$ (18.3)	\$ (17.5)	\$ (36.1)
Decrease in cash and cash equivalents	(86.2)	(41.7)	(261.1)
Cash and cash equivalents - beginning of year	233.1	274.8	535.9
Cash and cash equivalents - end of year	\$ 146.9	\$ 233.1	\$ 274.8