





Corporate Summary

Denny's® is America's largest full-service family restaurant chain with more than 1,800 company and franchise locations. From its beginning as a single restaurant in California in 1953, Denny's has grown into the most recognized brand in family dining, serving more than one million customers each day.

Denny's is operated by Advantica Restaurant Group, Inc. (OTCBB:DINE), which also operates two regional family dining brands, Coco's® and Carrows® under the company's FRD Acquisition Co. subsidiary. Advantica is in the process of divesting these regional brands as part of its strategy to focus all corporate resources on Denny's.



Financial Summary

(dollars in millions)	Fiscal Year Ended ^(a)	
	2000	1999
Revenue	\$1,155.2	\$1,200.2
EBITDA ^(b)	172.3	160.4
EBITDA margin	14.9%	13.4%
Total debt ^(c)	605.3	792.8
Cash, cash equivalents and short-term investments	27.3	182.9
Net debt ^(d)	578.0	609.9
Systemwide sales:		
U.S.	\$2,163.6	\$2,079.0
International	64.1	60.7
	\$2,227.7	\$2,139.7
Systemwide Number of Restaurants	1,822	1,784

(a) All amounts exclude FRD Acquisition Co.

(b) EBITDA is defined by the Company as operating income before depreciation, amortization and charges for restructuring and impairment.

(c) Total debt for 1999 excludes in-substance defeased debt, which was repaid in 2000.

(d) Net debt is defined by the Company as total debt (excluding in-substance defeased debt for 1999) less cash, cash equivalents and short-term investments.

DIRECTORS

James B. Adamson^(1,2)
Chairman,
Advantica Restaurant Group, Inc.

Vera K. Farris^(1,2)
President,
The Richard Stockton College of New Jersey

James J. Gaffney^(1,2)
Vice Chairman,
Viking Pacific Holdings, Limited

Darrell Jackson⁽²⁾
CEO and President,
Sunrise Enterprise of Columbia, Inc.

Nelson J. Marchioli^(1,2)
Chief Executive Officer and President,
Advantica Restaurant Group, Inc.

Robert E. Marks^(1,2)
President,
Marks Ventures, Inc.

Lloyd I. Miller, III^(1,2)
Registered Investment Advisor

Charles F. Moran^(1,2)
Retired Senior Vice President,
Sears, Roebuck and Co.

Elizabeth A. Sanders^(1,2)
Principal,
The Sanders Partnership

Donald R. Shepherd^(1,2)
Retired Chairman,
Loomis, Sayles & Company, L.P.

Raul R. Tapia⁽²⁾
Partner,
Murray, Scheer, Montgomery,
Tapia & O'Donnell

(1) Director, Advantica Restaurant Group, Inc.

(2) Director, FRD Acquisition Co.

CORPORATE INFORMATION

CORPORATE OFFICERS

ADVANTICA AND DENNY'S

James B. Adamson⁽¹⁾
Chairman

Nelson J. Marchioli^(1,2)
Chief Executive Officer and President

Ronald B. Hutchison⁽¹⁾
Executive Vice President and
Chief Financial Officer

James W. Lyons⁽²⁾
Executive Vice President,
Franchise and Development

Rhonda J. Parish^(1,2)
Executive Vice President,
General Counsel and Secretary

Janis S. Emplit^(1,2)
Senior Vice President
Chief Information Officer

Andrew F. Green
Senior Vice President⁽¹⁾,
Senior Vice President and
Chief Financial Officer⁽²⁾

Linda G. Traylor^(1,2)
Senior Vice President, Human Resources

Robert M. Barrett^(1,2)
Vice President and
Assistant General Counsel

Karen H. Bird⁽¹⁾
Vice President, Business Systems

Phyllis J. Calvert⁽²⁾
Vice President, Human Resources

Timothy E. Flemming^(1,2)
Vice President, Assistant General Counsel and
Assistant Secretary

Roy C. Getz⁽²⁾
Vice President, Marketing

Alma F. Jackson⁽¹⁾
Vice President,
Guest Assurance and Employee Response

Michael J. Jank⁽¹⁾
Vice President, Risk Management

Kenneth E. Jones^(1,2)
Vice President and Treasurer

Ross B. Nell^(1,2)
Vice President, Tax

Kenneth R. Parson⁽²⁾
Vice President, Training

Karen F. Randall⁽¹⁾
Vice President, Communications

Mark C. Smith^(1,2)
Vice President, Procurement and Distribution

(1) Officer, Advantica Restaurant Group, Inc. ("Advantica")

(2) Officer, Denny's, Inc. ("Denny's")

SHAREHOLDER INFORMATION

CORPORATE OFFICE:
Advantica Restaurant Group, Inc.
203 East Main Street
Spartanburg, SC 29319
(864) 597-8000

INDEPENDENT AUDITORS:
Deloitte & Touche LLP
Greenville, SC

TRANSFER AGENT FOR COMMON STOCK AND WARRANTS:
For information regarding change of address or other matters concerning your shareholder account, please contact the transfer agent directly at:
Continental Stock Transfer & Trust Co.
Two Broadway
New York, NY 10004
(212) 509-4000
(800) 509-5586

BOND TRUSTEES:
11¼% Senior Notes due 2008
U.S. Bank
Corporate Trust Department
P.O. Box 64111 (zip 55164-0111)
180 East Fifth Street
St. Paul, MN 55101
(800) 934-6802

12.5% FRD Senior Notes due 2004
The Bank of New York
Corporate Trust Operations
Fiscal Agencies Department
101 Barclay Street, 7 East
New York, NY 10286
(800) 548-5075

STOCK LISTING INFORMATION:
Advantica common stock and warrants are listed on OTC Bulletin Board® under the symbols DINE and DINEW, respectively.

FOR FINANCIAL INFORMATION:
Call (864) 597-8658, or write to:
Ken Jones, Treasurer
Advantica Restaurant Group, Inc.
203 East Main Street, P-11-6
Spartanburg, SC 29319

Investor information such as news releases, links to SEC filings and stock quotes may also be accessed from Advantica's corporate web site at: www.advantica-dine.com

ANNUAL MEETING:
Wednesday, May 23, 2001
10:00 a.m. EDT
Advantica Tower
17th Floor Auditorium
203 E. Main Street
Spartanburg, SC 29319

U.S. Locations

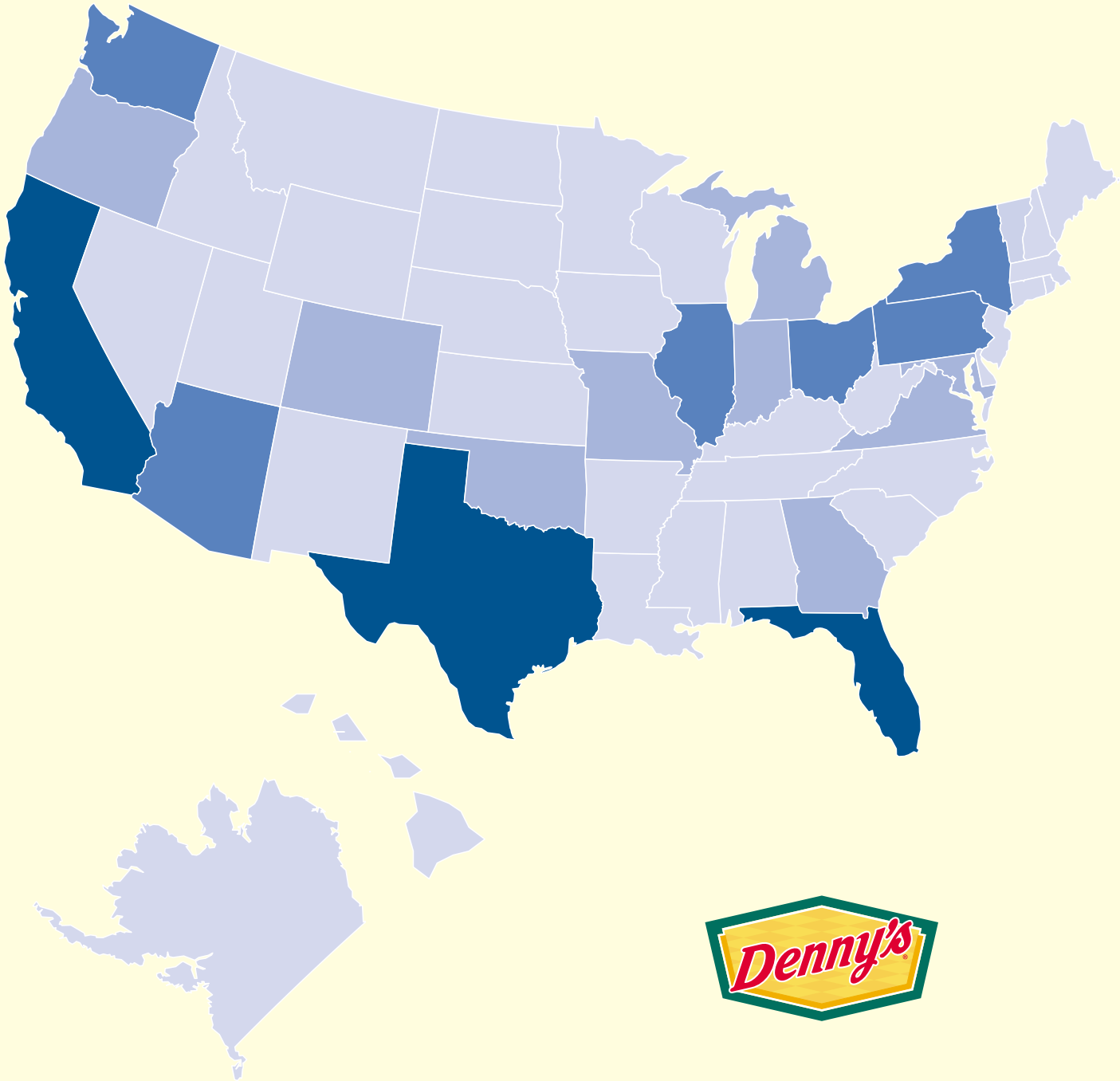
Concentration of Restaurants:

1-25

26-50

51-150

151+



To Our Shareholders:

We began the new millennium with a new strategic direction, transforming a multi-brand company to a one-brand organization with a sharpened, single focus on our core Denny's® brand. We believe this plan of action offers our shareholders the greatest long-term growth and earnings potential.

Denny's systemwide sales, which include sales from company and franchise restaurants, increased by 4 percent in 2000 to \$2.2 billion. The increase reflects our continued franchise growth as well as positive same-store sales growth for company units of 1.5% and franchise units of 1.3%.

During 2000, we reduced the company's debt by \$187 million. By year end, total debt was \$605 million, pared down significantly from \$2.1 billion in 1997.

We made significant progress during 2000 to move the Denny's brand forward in each of our key strategic initiatives: franchising, reimagining, and service.

In the first year of our initiative to shift to a strong franchised-based system, Denny's sold 148 company restaurants to franchisees. Franchisees also opened a record 84 new restaurants in 2000. This growth is significant because it reflects Denny's renewed vitality and the confidence our franchise partners have in the strength of the Denny's brand.

At year end 2000, franchisees and licensees owned 60% of the Denny's system. Our franchise base is expected to continue to grow over the next few years through new unit development as well as refranchising. The number of restaurants we refranchise each year will be impacted by financial market conditions as well as our continuing assessment of restaurant profitability, performance and location to ensure maximum shareholder value.

Denny's has tremendous brand equity, and continued investment is essential to strengthening the brand's position. Denny's began rolling out a much-needed remodeling program in 1999, following years of limited capital investment. Reimagining to the Denny's® Diner theme provides a distinctive competitive advantage by capitalizing on Denny's heritage as "America's Original Breakfast Diner."

Last year, the Denny's Diner was refined with the development of a lower-cost prototype, and 37 restaurants were reimaged in the new design. We will continue to reimage company restaurants, and with the average remodel cost significantly reduced, we believe we have developed a viable remodel program for our franchise partners. This will help ensure system-wide remodeling of Denny's over the next few years.



— James B. Adamson,
Chairman

"With my planned retirement at the end of this year, our board of directors selected Nelson Marchioli as the new president and CEO of Denny's and Advantica. Nelson is a 29-year veteran of the restaurant industry with an impressive track record of achieving growth and profitability. I am supremely confident in his leadership to unleash the full potential of the Denny's brand."

Along with enhancing the atmosphere in our restaurants, we concentrated our efforts during 2000 on improving service to our guests. A key component of our service initiative is the introduction during the fourth quarter of a new guest survey system we call Direct ConnectSM. This new tool provides our restaurant managers with feedback from the guests in their restaurants about their experience. To emphasize attention to service excellence, all corporate and restaurant management bonuses in 2001 will be tied to guest service progress. Direct Connect is currently in place at all company restaurants and is being evaluated for introduction at our franchise restaurants later this year or early 2002.

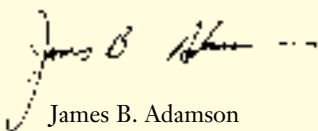
While we are pleased with our ability to maintain Denny's positive same-store sales momentum over the past three years, we recognize that the long-term viability of the brand is contingent on reversing the trend of declining customer counts. As we move forward, improving customer counts is our highest priority.

We will be refocusing our attention on the basics of our business and giving customers what they want—quality food that tastes good, served by friendly employees in a pleasant atmosphere.

A high point of the year was our ranking by *Fortune* magazine as the number one company in America for minorities, underscoring the cultural transformation of our company and the rebuilding of our image just six years after Denny's settled two high profile race discrimination class-action lawsuits. Successfully addressing civil rights issues and creating a more diverse company has positioned Denny's to capitalize on the growing minority markets.

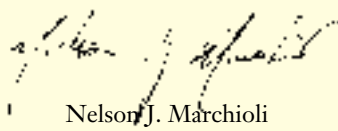
As part of our one-brand strategy, last year we began marketing for sale our FRD Acquisition Co. subsidiary, the holding company for our Coco's[®] and Carrows[®] businesses, and classified it as a discontinued operation. In an effort to facilitate the divestiture process, FRD filed a voluntary Chapter 11 petition early in 2001. When the FRD Chapter 11 reorganization is concluded, the evolution of Advantica to Denny's will be complete.

Denny's is an American icon. Working hand in hand with our franchise partners to meet and exceed customer expectations in all aspects of our business, we are committed to developing the full potential of the Denny's brand and increasing value to our shareholders.



James B. Adamson
Chairman

March 30, 2001



Nelson J. Marchioli
President and CEO



—Nelson J. Marchioli
President & CEO

“We are aligning all of our resources toward a strategy of reversing the trend of declining guest counts at Denny's. By building on Denny's strengths, listening to today's customer and improving execution, we expect to complete the revitalization of this terrific brand and set the company on a course for long-term growth and profitability.”



Our Growth

- Denny's total systemwide sales grew to a record \$2.2 billion in 2000.
- Denny's has built 370 restaurants over the past four years, more than any other family dining restaurant brand.
- Over 40% of all Denny's are in three high growth states: California, Florida and Texas.
- About 50,000 people visit Denny's web site—dennys.com—every month.



Taking a Brand Leader to New Levels

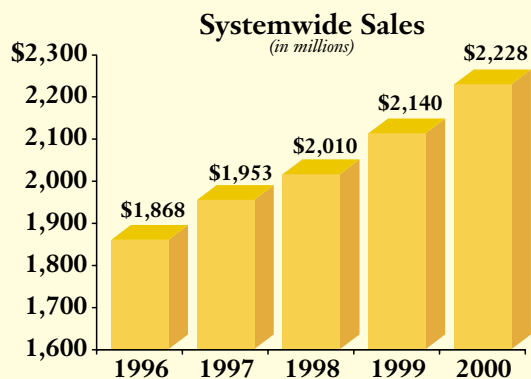
Entering the new millennium, Denny's® continued



its record systemwide sales growth momentum. Denny's achieved systemwide sales of \$2.2 billion in 2000 from its company, franchised and

licensed restaurants, an increase of more than 4% over the previous year.

Continued growth in the brand resulted in a net increase of 38 restaurants from 1999 to 2000. At year end 2000, the total number of Denny's restaurants grew to 1,822—736 company owned, 1,067 franchise-owned and 19 licensed.



Over the past four years, Denny's has built more restaurants than any other restaurant company in its category, helping maintain its significant lead as the nation's number one full-service family dining restaurant.

Aggressive development has allowed Denny's to gain momentum in existing markets across the country as well as expand into new markets, including the brand's first entry into Rhode Island last year.

During 2000, Denny's also reentered Mexico with the opening of a new restaurant in Chihuahua. While the company's focus is on U.S. expansion, Denny's also has a

presence in Canada, Costa Rica, Guam, New Zealand, Puerto Rico and Singapore.

Serving America 24 Hours a Day

For nearly 50 years, customers have relied on Denny's 24 hour service. Sales are distributed fairly evenly across all four dayparts—breakfast, lunch, dinner and late night. Well-known for breakfast served around the clock, breakfast items comprise Denny's core business and revenue base.

Denny's most successful product launch in recent years was the introduction last year of the Breakfast Dagwood, a two-fisted sandwich filled with three cheeses, ham, sausage, bacon and scrambled eggs. Denny's Breakfast Dagwood features its new Boule bread, developed with the Pillsbury Company. In addition to its popularity with guests and high profit margin, the Breakfast Dagwood was recently selected by the editors of *Restaurant Business* as the first place winner in the breakfast category of the publication's 2001 Best in Class Menu Award.

Building on its breakfast success, Denny's enhanced its dinner daypart with menu variety. To attract new guests and maintain current guest interest, Denny's rotates new entrees as limited-time offerings throughout the year. In 2000, limited-time introductions included steak and chicken fajitas in January, shrimp scampi in May and lasagna in September.

Recognizing recent improvements in Denny's menu, *Nation's Restaurant News* awarded Denny's its 2000 MenuMasters Award for Best Menu Revamp. Selection criteria included innovation, creativity, food quality, quantitative success, timeliness and overall impact. Echoing the sentiments of many guests, editors of the publication noted, "Because the menu has such a large number of mouthwatering food photos, it is difficult to select just one item."



New product news in 2000 included the introduction of cappuccino, Denny's most profitable beverage. Often purchased as an extra beverage after the meal, cappuccino is available in two flavors, original and French vanilla. Denny's also upgraded its iced tea to the popular Lipton® brand.

As new products were strategically introduced, lower-margin, lower-selling and difficult-to-execute items were eliminated. As a result, menu items decreased by 22 percent last year, improving operations execution and profitability.

In partnership with its new creative advertising agency, WestWayne, Inc., the company unveiled a new national campaign that positions Denny's as "America's Kitchen Table," a place where today's busy families can gather for a good meal and good conversation.

As the nation's number one family dining restaurant brand, Denny's is capitalizing on the fastest growing segment in the restaurant industry—parties with children—where it already has above average market share in its category. Denny's focus is on creating a fun environment for families, with good food and interactive activities for children.

Adding to its offerings of fun-shaped, colorful finger food, Denny's expanded its children's menu with Star Spangled Hotcakes topped with red, white and blue stars, Jr. Dippers with chicken strips and mozzarella sticks and

a Build Your Own Sundae that gives kids a chance to choose among several toppings.

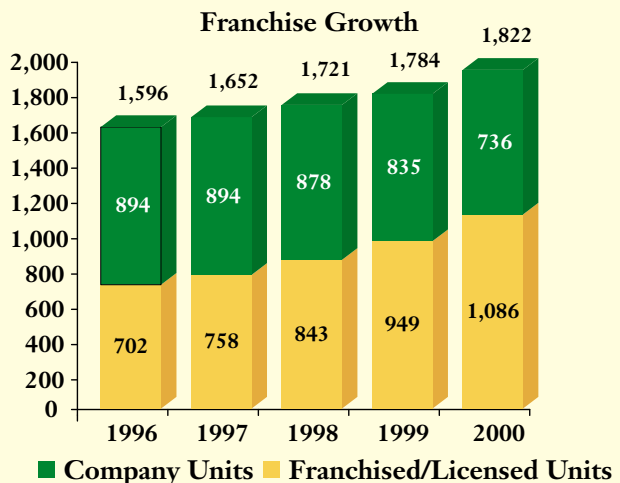
For the second year, Denny's children's menu recently captured the first place award from *Restaurant Hospitality* magazine as the Best Kids Menu in America in the family dining category.

Strengthening Denny's Through Franchising

Denny's made significant progress toward its strategy of moving the brand to a more franchised-based system. During 2000, Denny's sold 148 company restaurants to franchisees. The company plans to continue its refranchising efforts over the next few years.

In addition to purchasing existing company restaurants, franchisees and licensees opened 84 new Denny's in 2000, marking a record year in new franchise growth for the second consecutive year. Through refranchising and new development, Denny's franchised and licensed restaurants grew by nearly 15 percent, from 949 units in 1999 to 1,086 in 2000.

Continuing interest by both new and existing franchisees in acquiring restaurants is evidence of the strength of the Denny's brand and the commitment by franchise partners in working together for future success. Aggressive franchisee development and growth of the brand is expected to continue through 2001.





Our Franchising

- Denny's achieved record franchise growth in 2000 with the opening of 84 new franchise restaurants.
- By year end 2000, franchisees and licensees owned 60% of the Denny's system.
- Denny's ranked No. 1 in the family restaurants category and 26th among all retail franchises in *Entrepreneur* magazine's 2001 Franchise 500 listing.
- There is about one Denny's for every 158,000 people in the United States and room for many more!





Our Menu

- Half of Denny's customers order a breakfast item.
- Denny's signature Original Grand Slam Breakfast®, introduced in 1977, is the chain's best selling entree.
- Denny's is one of the nation's largest users of eggs—serving approximately 455 million eggs annually...
- That's in addition to the annual 338 million slices of bacon and 211 million links of sausage served with its breakfast entrees.



Denny's® Diner: A Competitive Advantage

Continuously reinventing itself to remain as relevant to today's customers as it was when it began in 1953, Denny's achieved significant progress during 2000 in its repositioning of the brand as "America's Original Breakfast

Diner." Central to this change is the reimagining to Denny's® Diner, which differentiates Denny's from competitors in the family dining segment by capitalizing on the brand's heritage and broadening Denny's appeal to a wider demographic base,



including younger customers.

During 2000, the second year of the national remodeling program, a lower-cost Denny's Diner prototype was successfully developed and tested on 37 existing restaurants. The new Denny's Diner significantly reduced the cost of remodeling while retaining the elements of the original design that impact customer appeal.

Generating a greater return on investment and positive guest counts, the new lower-cost Denny's Diner offers franchisees an affordable remodel vehicle and facilitates systemwide remodeling of Denny's over the next few years.

Franchisees can select from two Denny's Diner design schemes—a retro style with art deco accents and a green, orange and black color scheme, or a contemporary diner theme combining a purple and green color scheme with neutral accents. In addition to new signage, carpeting and seating, all Denny's Diners feature juke boxes, employee uniforms with colorful bowling-style shirts and a special menu to complement the diner theme. Denny's continues to refine the new diner image, and a third design is currently in development.



Through remodeling and new construction, by year end 2000 a total of 342 Denny's featured the Denny's Diner theme.

Another popular growth vehicle for franchisee development is Denny's® Classic Diner, a smaller building with a full-scale 1950s-style decor. Denny's Classic Diner features stainless steel exterior with neon lighting and sleek chrome interior with red and black checkerboard tiled floors and counter. The fun atmosphere is complete with employees joining customers in singing and dancing to '50s jukebox tunes at regular intervals.

At year end 2000, 64 of the eye-catching Denny's Classic Diners dotted the American landscape.

Improving Guest Service

With restaurant reimagining well under way, Denny's is focusing its efforts on a critical component in revitalizing the brand—delivering outstanding, consistent service and hospitality.



Our Service

- Denny's serves a million customers a day at its more than 1,800 locations systemwide.
- Denny's employs more than 70,000 restaurant associates systemwide.
- More than 50% of Denny's restaurant managers were promoted from crew level positions.
- Almost 4 out of 10 Denny's are located near interstate highways.
- Saturday is the most popular day of the week for dining at Denny's.



Denny's is taking a comprehensive approach to upgrading service levels by aligning new compensation programs and improvements in staffing, labor scheduling, and training with innovative technology and restaurant design to ensure a complete, enjoyable dining experience.

Direct ConnectSM, a major initiative which serves as the foundation to improving service, was introduced at all company restaurants during the fourth quarter of 2000. The new guest satisfaction survey provides restaurant managers with timely, restaurant-specific feedback as a tool to improve service.

Direct Connect asks Denny's guests specific questions about their dining experience, which include satisfaction with the meal, speed of service, staff courtesy and restaurant cleanliness. Guests are also asked about their intention to revisit the restaurant, an important indicator of their experience. Each month, managers

receive a summary report for their restaurant detailing how customers rate the restaurant in these key service areas. Employee incentives encourage participation from the entire team in improving service in needed areas.

Tapping into the growing use of on-line communication, Denny's offered guests a new way to share their questions, suggestions and comments through the company's web site. In addition to talking face-to-face with restaurant managers, customers from company and franchise restaurants have the option of communicating directly with corporate headquarters through a toll-free number, letters and now by e-mail.

With a renewed focus on providing the best service possible, Denny's is committed to raising the level of the guest dining experience and increasing customer traffic.

