

DARDEN® RESTAURANTS

Fiscal 2004 MID-YEAR Shareholder REPORT



Bahama
Breeze



TO OUR **shareholders**

We welcome this opportunity to bring you up to date on the results of the first half of our 2004 fiscal year. Results for the period have been mixed. While Olive Garden® has delivered impressive record-setting sales and operating profit, sales and operating profit at Red Lobster® are well below our expectations. Our emerging companies are also at different points in their development. Expansion has slowed at Bahama Breeze® while it takes steps to strengthen its business. Smokey Bones® has been expanding rapidly while maintaining a strong focus on operations so that its guest experience remains strong.

Despite our challenges, we have a solid business with four distinct concepts – two with proven consumer appeal and two very exciting emerging concepts. And, we are committed to our core purpose, which is to nourish and delight everyone we serve. We will meet the challenges before us and deliver on our core purpose because we combine our solid businesses with an effective strategic framework. It is centered on three strategic imperatives – continuous leadership development throughout the Company, excellence in service and hospitality, and excellence in culinary and beverage. To help us make progress on each strategic imperative, we are focused on building brand management skills, diversity competency, and the ability to create technology solutions. With this strategic framework, appropriate financial objectives, and a commitment to outstanding corporate governance standards, we will create value for our shareholders and remain the best in casual dining.

For the first half of fiscal 2004, sales of \$2.4 billion were 7.0% above last year. Net earnings were \$99.8 million, down from \$109.4 million the first half of last year, an 8.7% decrease. Earnings per diluted share were 58 cents, down from 61 cents per diluted share the first half of last year, a 4.9% decrease.

Olive Garden's first half sales of \$1.07 billion were 9.7% above the prior year. Same-restaurant sales were up 4.1%, following a 4.2% increase in the first half of last year. As of the end of the second quarter, Olive Garden operated 532 restaurants, compared to 507 restaurants at the same point last year. As a result of its growth in total sales and lower food and beverage expense and restaurant labor costs as a percentage of sales, Olive Garden generated record operating profit and a double-digit operating profit increase.

Olive Garden's impressive record of growth included a 3.9% same-restaurant sales increase in the first quarter and a 4.3% increase in the second quarter, which was the 37th consecutive quarter of same-restaurant sales increases. The sustained same-restaurant sales improvement reflects strong acceptance of its new menu, a higher check average, and good response to new promotions like "Ravioli" and "Stuffed Chicken Marsala" as well as proven promotions like "Never Ending Pasta Bowl".

Red Lobster's first half sales of \$1.18 billion were 1.0% higher than last year. Same-restaurant sales were down 0.9%, following a 4.6% increase in the first half of last year. As of the end of the second quarter, Red Lobster operated 680 restaurants, compared to 670 at the same point last year. Operating profit for the first half decreased as a result of Red Lobster's lower than expected sales along with higher food and beverage costs, restaurant expenses, selling, general and administrative expenses, and depreciation expense as a percentage of sales.

Red Lobster's same-restaurant sales increased 1.1% in the first quarter but decreased 3.1% in the second quarter. Sales were lower than

expected as a result of same-restaurant guest declines partially offset by a higher check average. While guests responded to the "World of Crab" and "Dozens of Shrimp" promotions, the results were softer than anticipated. Despite these disappointing results, Red Lobster remains a strong brand with strong consumer loyalty. We have a dedicated and capable crew that is intent on improving the guest experience while delivering solid sales and operating profit growth. We are focused on improving Red Lobster's position as America's favorite place for seafood.

Bahama Breeze continued to receive critical acclaim while providing our guests with a refreshing island escape. Although average sales per unit outpace the casual dining industry, Bahama Breeze's sales have been below our expectations. This year, we introduced lunch in most of our restaurants. Early results have been promising, and we believe that serving lunch will improve the company's overall financial performance and help re-position the business for long-term success. Bahama Breeze also opened three locations during the first half of the fiscal year, bringing the total number of restaurants in operation to 37.

Smokey Bones has strong consumer appeal with its combination of exceptionally friendly service, award-winning barbeque, and lively lodge environment. It has been well-received in a wide variety of markets, and we are excited about its long-term potential. During the first half of this fiscal year, 14 restaurants were opened, bringing the total number of restaurants in operation to 53. During fiscal year 2004, we plan to open 25 to 30 Smokey Bones restaurants.

Seasons 52^(SM), Darden's new test restaurant in Orlando, FL, is performing well. We have plans to expand our test and open two more restaurants in Florida – one in Orlando and the other near Ft. Lauderdale.

We continued our buyback of common stock in the open market, purchasing 2.2 million shares in the first half of the fiscal year. Cumulatively, since initial authorization of our repurchase program in December 1995, we have repurchased 100.7 million shares, and we have approximately 14.7 million shares remaining under current authorizations.

We believe that casual dining is a vibrant industry with excellent long-term growth prospects that are propelled by favorable consumer lifestyle changes and long-term demographic trends. The industry is sound with a healthy balance between supply and demand. We are confident that we will take full advantage of what casual dining has to offer by delivering consistent, solid growth.

We thank you for being a valued owner of Darden Restaurants. We encourage you to bring the attached gift certificate into any of our restaurants and let us show you the exciting things that we are doing to earn the distinction of being the best in casual dining – now and for generations.

Joe R. Lee
Chairman and Chief Executive Officer
January 26, 2004

Consolidated Statements of Earnings

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA-UNAUDITED)

	Quarter Ended		Six Months Ended	
	11/23/2003	11/24/2002	11/23/2003	11/24/2002
Sales				
Costs and Expenses:	\$ 1,142,543	\$ 1,071,531	\$ 2,402,232	\$ 2,246,096
Cost of Sales:				
Food and Beverage	346,200	330,954	742,913	696,190
Restaurant Labor	375,614	353,774	767,949	723,136
Restaurant Expenses	191,010	170,727	381,832	340,231
Total Cost of Sales ⁽¹⁾	\$ 912,824	\$ 855,455	\$ 1,892,694	\$ 1,759,557
Selling, General and Administrative	120,320	103,197	233,961	209,261
Depreciation and Amortization	52,048	45,930	103,601	91,071
Interest, Net	10,725	10,729	21,366	20,982
Total Costs and Expenses	\$ 1,095,917	\$ 1,015,311	\$ 2,251,622	\$ 2,080,871
Earnings before Income Taxes	46,626	56,220	150,610	165,225
Income Taxes	(15,373)	(18,742)	(50,763)	(55,861)
Net Earnings	\$ 31,253	\$ 37,478	\$ 99,847	\$ 109,364
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

Condensed Consolidated Balance Sheets

(AMOUNTS IN THOUSANDS- UNAUDITED)

	11/23/2003	11/24/2002	5/26/2003
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 27,806	\$ 20,880	\$ 48,630
Inventories	256,997	231,814	173,644
Other Current Assets	104,379	106,892	103,355
Total Current Assets	389,182	359,586	325,629
Land, Buildings and Equipment	2,239,571	2,039,977	2,157,132
Other Assets	183,897	162,549	181,872
Total Assets	\$ 2,812,650	\$ 2,562,112	\$ 2,664,633
LIABILITIES and STOCKHOLDERS' EQUITY			
Current Liabilities:			
Short-Term Debt	\$ 70,900	\$ -----	\$ -----
Other Current Liabilities	623,643	569,982	639,909
Total Current Liabilities	694,543	569,982	639,909
Long-Term Debt	655,066	659,656	658,086
Other Liabilities	181,673	144,151	170,447
Total Liabilities	1,531,282	1,373,789	1,468,442
Stockholders' Equity	1,281,368	1,188,323	1,196,191
Total Liabilities and Stockholders' Equity	\$ 2,812,650	\$ 2,562,112	\$ 2,664,633

REPORT OF Fiscal Year 2003 ANNUAL MEETING

On September 25, 2003, Chairman and Chief Executive Officer Joe R. Lee welcomed shareholders to our annual meeting in Orlando. Shareholders were asked to elect eleven directors, all of whom were existing members of our board. Shareholders were also asked to ratify the Board's appointment of KPMG LLP to audit our consolidated financial statements for fiscal 2004. Over 86% of our outstanding shares were represented at the meeting, and all director nominees and the appointment of KPMG were approved. Detailed voting results appear in our Form 10-Q for the quarter ended November 23, 2003.

Common stock for Darden Restaurants, Inc. is traded on the New York Stock Exchange under the stock symbol DRI. Our transfer agent is Wachovia Bank, 1525 West W.T. Harris Blvd, 3c3, Charlotte, NC 28288-1153, (800) 829-8432. Shareholders seeking further information about Darden Restaurants may contact our Investor Relations Department at (800) 832-7336 or visit our website address at www.darden.com. Shareholders may request copies of press releases, the annual report on Form 10-K or quarterly reports on Form 10-Q free of charge.

Forward-looking statements in this mid-year report, if any, are made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Certain important factors could cause actual 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 or other factors discussed from time to time in reports filed by us with the Securities and Exchange Commission.