

DARDEN[®] RESTAURANTS

Fiscal 2005 MID-YEAR Shareholder REPORT



Bahama
Breeze



TO OUR **shareholders**

We are delighted to update you on the first half of our 2005 Fiscal Year. Olive Garden posted strong results, Red Lobster's performance continues to improve and our emerging concepts, Bahama Breeze and Smokey Bones, also performed well.

As the first half of the year ended, the leadership transition we announced in August also became effective. Drew Madsen, our new President and Chief Operating Officer, and I are excited about working with terrific teams to build on Darden's exceptional legacy. And what a legacy it is, going from pioneering the casual dining industry with one restaurant in 1968 to industry leadership with over 1,300 restaurants today. We believe the single biggest reason for this success is the work Bill Darden, Joe Lee and a host of other very capable leaders, including many people who continue to direct the Company's efforts, have done to make sure the organization has a very clear sense of who we are.

This Company has long been committed to making a meaningful difference in people's lives—a goal that's captured well by our core purpose, which is to nourish and delight everyone we serve. Inspired by this commitment, Darden has developed extensive restaurant operating and restaurant support capabilities and combined them with strong brand management skills. That's how we've been able to provide consumers with relevant and compelling casual dining experiences even as their tastes and preferences have changed. And, it's why we have two trusted brands with proven consumer appeal, exciting emerging brands and a unique capability to create attractive new brands internally. With our leadership transition, there will certainly be some changes as we strive to deliver even more consistent financial performance and to fully capture the tremendous growth opportunity we see in casual dining. What won't change, however, is Darden's commitment to nourishing and delighting everyone we serve and our longstanding confidence in the combined power of excellent in-restaurant operations and brand building excellence. With a focus on these keys to success, we believe we have everything it takes to become the best in casual dining, now and for generations.

For the first half of fiscal 2005, sales of \$2.5 billion were 4.4% above last year and net earnings of \$114.0 million were \$16.6 million higher, a 17.0% increase. Net earnings per diluted share were 70 cents, up from 57 cents per diluted share the first half of last year, a 22.8% increase.

Olive Garden's first half sales were \$1.14 billion, which is 7.4% above the prior year. On a same-restaurant basis, sales were up 4.1%, a growth rate which equals that in the first half of last year. Olive Garden's performance reflects a 2.8% same-restaurant sales increase in the first quarter and a 5.5% increase in the second quarter. This was the 40th and 41st consecutive quarters of same-restaurant sales growth. By the end of the first half, Olive Garden operated 547 restaurants, compared to 532 restaurants at the same point last year. Olive Garden teams are passionate and focused around our ongoing strategy, which delights all of our guests with a genuine Italian dining experience.

Red Lobster's first half sales were \$1.16 billion, which is 1.3% lower than last year. On a same-restaurant basis, sales were down 2.5%, compared to a 0.9% decrease in the first half of last year. Red Lobster had an encouraging improvement in performance trend, however, following its 7.6% first quarter decline in same-restaurant sales with a 3.4% increase in the second quarter. By the end of the first half, Red Lobster operated 680 restaurants, which is the same

number of restaurants as last year. We're quite pleased with the continued progress Red Lobster is making in improving business fundamentals. We have a dedicated and capable crew that is intent on improving the guest experience while delivering solid sales and operating profit growth. The ultimate goal is to re-establish Red Lobster as America's favorite place for seafood.

As Bahama Breeze continued to provide guests with a refreshing island escape, it also improved its financial performance during the first half of the year. Bahama Breeze has been focused on enhancing everyday approachability by offering lunch at nearly every restaurant and by broadening the core menu to include more familiar items and a wider range of price points. The new, lower cost prototype restaurant that opened in Pittsburgh, PA early in calendar 2004 also continues to show great promise. We believe these efforts will improve Bahama Breeze's overall financial performance and help position it for long-term success. Bahama Breeze is operating a total of 32 restaurants.

Smokey Bones continued to enjoy strong consumer acceptance of its award-winning BBQ and of the terrific dining experience it provides, an experience built around exceptionally friendly service and exciting sports viewing. Smokey Bones is now proven 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 83. During fiscal year 2005, we will open 30 to 40 Smokey Bones restaurants.

Seasons 52SM, Darden's newest test restaurant in Orlando, FL, also is performing well. As a result, we're expanding our test with the opening of two more restaurants - another in Orlando and one near Ft. Lauderdale.

We continued our buyback of our common stock in the open market during the first half of the fiscal year, purchasing 3.2 million shares. Cumulatively, since initial authorization of our repurchase program in December 1995, we have now repurchased 112.4 million of our shares, a testament to our strong cash flows. And we have approximately 25 million shares remaining under current authorizations.

Casual dining continues to be a vibrant industry with excellent long-term growth prospects, growth that is propelled by favorable consumer lifestyle changes and long-term demographic trends. The industry also enjoys a healthy balance between supply and demand. We are confident that Darden 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.

Clarence Otis, Jr.
Chief Executive Officer
January 14, 2005

Consolidated Statements of Earnings

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

	Quarter Ended		Six Months Ended	
	11/28/2004	11/23/2003	11/28/2004	11/23/2003
Sales	\$1,229,373	\$1,142,543	\$2,508,017	\$2,402,232
Costs and expenses:				
Cost of sales:				
Food and beverage	368,036	346,200	759,457	742,913
Restaurant labor	400,714	375,614	806,530	767,949
Restaurant expenses	202,287	192,948	397,304	385,777
Total Cost of Sales ⁽¹⁾	\$ 971,037	\$ 914,762	\$ 1,963,291	\$ 1,896,639
Selling, general and administrative	130,785	120,320	245,365	233,961
Depreciation and amortization	53,176	52,048	105,936	103,601
Interest, net	11,007	10,725	21,971	21,366
Total costs and expenses	\$ 1,166,005	\$ 1,097,855	\$ 2,336,563	\$ 2,255,567
Earnings before income taxes	63,368	44,688	171,454	146,665
Income taxes	(20,393)	(14,635)	(57,467)	(49,261)
Net earnings	\$ 42,975	\$ 30,053	\$ 113,987	\$ 97,404
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 shares outstanding:				
Basic	156,800	164,900	157,200	164,800
Diluted	163,400	171,000	163,400	170,700
⁽¹⁾ Excludes restaurant depreciation and amortization as follows	\$ 49,486	\$ 48,443	\$ 98,705	\$ 96,525

Condensed Consolidated Balance Sheets

(AMOUNTS IN THOUSANDS- UNAUDITED)

	11/28/2004	11/23/2003	5/30/2004
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 60,431	\$ 27,806	\$ 36,694
Inventories	236,441	256,997	198,781
Other Current Assets	114,802	104,379	110,832
Total Current Assets	411,674	389,182	346,307
Land, Buildings and Equipment	2,292,062	2,239,571	2,250,616
Other Assets	184,182	183,897	183,425
Total Assets	\$ 2,887,918	\$ 2,812,650	\$ 2,780,348
LIABILITIES and STOCKHOLDERS' EQUITY			
Current Liabilities:			
Short-Term Debt	\$ --	\$ 70,900	\$ 14,500
Other Current Liabilities	849,898	623,643	668,981
Total Current Liabilities	849,898	694,543	683,481
Long-Term Debt	502,574	655,066	653,349
Other Liabilities	268,727	250,517	268,230
Total Liabilities	1,621,199	1,600,126	1,605,060
Stockholders' Equity	1,266,719	1,212,524	1,175,288
Total Liabilities and Stockholders' Equity	\$ 2,887,918	\$ 2,812,650	\$ 2,780,348

REPORT OF Fiscal Year 2004 ANNUAL MEETING

On September 29, 2004, Chairman and Chief Executive Officer Joe R. Lee welcomed shareholders to Darden's annual meeting in Orlando. Shareholders were asked to elect twelve directors. Shareholders also were asked to approve our amended and restated Employee Stock Purchase Plan and to ratify the Board's appointment of KPMG LLP to audit our consolidated financial statements for fiscal 2005. Over 89% of our outstanding shares were represented at the meeting. All of our director nominees were elected, and the amended and restated Employee Stock Purchase Plan and appointment of KPMG were approved. Detailed voting results appear in Darden's Form 10-Q for the quarter ended November 28, 2004.

Darden Restaurants, Inc. is traded on the New York Stock Exchange under the stock symbol DRI. The Company's transfer agent is Wachovia Bank, 1525 West W.T. Harris Blvd, 3C3, Charlotte, NC 28288-1153, (800) 829-8432. Shareholders seeking 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 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 the Company with the Securities and Exchange Commission.