DARDEN RESTAURANTS®

Fiscal 2007 Mid-Year Shareholder Report

TO OUR SHAREHOLDERS

We are delighted to update you on the first half of Fiscal Year 2007, which was highlighted by solid sales and earnings growth in a challenging consumer environment. We achieved profitable new unit growth at Olive Garden, made progress enhancing the brand at Red Lobster, saw significant margin improvement at Bahama Breeze, and began testing new directions for the Smokey Bones brand.

Our strong financial results and strategic progress are due to the strength of our people and our proven approach to the business. We have talented people throughout the organization who share core values and a motivating common purpose, which is to nourish and delight everyone we serve. United behind a strong culture, we remain confident that we will achieve our goal of being the best in casual dining, now and for generations.

For the first half of fiscal 2007 sales of $2.84 billion were 3.9% above last year and net earnings of $150.2 million were $9.6 million higher, a 6.9% increase. Net earnings per diluted share were $1.00, up from 89 cents per diluted share the first half of last year, a 12.4% increase.

Olive Garden's first half sales were $1.35 billion which is 6.7% above the prior year. On a same-restaurant basis, sales were up 2.9%, compared to an increase of 7.0% in the first half of last year. Olive Garden's performance reflects a 2.9% same-restaurant sales increase in the first quarter and a 2.9% increase in the second quarter, which were the 48th and 49th consecutive quarters of same-restaurant sales growth. By the end of the first half, Olive Garden operated 595 restaurants, compared to 568 restaurants at the same point last year. Olive Garden remains focused on accelerating new restaurant growth while maintaining same-restaurant excellence. Olive Garden plans to open 30 to 35 net new restaurants this fiscal year and 35 to 40 net new restaurants next fiscal year.

Red Lobster's first half sales were $1.23 billion which is 0.3% higher than last year. On a same-restaurant basis, sales were down 0.9%, compared to a 4.2% increase in the first half of last year. However, results improved as we progressed through the first half of this year. Red Lobster reported a same-restaurant sales decrease of 2.1% in the first quarter and an increase of 0.7% in the second quarter. By the end of the first half, Red Lobster operated 681 restaurants, compared to 678 restaurants at the same point last year.

Looking ahead, Red Lobster has the opportunity for further growth in guest counts that will return them to their historic norms, roughly 7% above where they are today. As they do that, their profit growth opportunity is also very significant given how efficiently they are operating. To sustain profitable guest count growth, Red Lobster will further strengthen the appeal of the brand by excelling at what consumers want most from a seafood restaurant: fresh, delicious seafood, friendly, welcoming service, and an exceptionally clean restaurant. Red Lobster recently moved into Phase 2 of its plan to achieve sustainable growth, which involves aligning consumer touchpoints around a compelling brand promise.

Bahama Breeze delivered same-restaurant sales growth of 0.1% during the second quarter after posting an increase of 1.2% in the first quarter. In addition, key business fundamentals are improving, driven by our focus on delivering a more approachable Caribbean escape for our guests. Bahama Breeze has produced 5 consecutive quarters of same-restaurant sales growth, recorded record guest satisfaction levels and made significant improvements in restaurant-level returns. While opportunities exist to more consistently deliver a competitively superior guest experience and to further improve restaurant level returns, improving trends have allowed Bahama Breeze to plan to begin modest unit growth in fiscal 2008.

Smokey Bones reported a same-restaurant sales decline of 5.0% in the second quarter and a decline of 8.6% in the first quarter. Smokey Bones' results were disappointing, although we continue to see strength in some markets, including Florida, New England, and the mid-Atlantic. The Smokey Bones team is working to stabilize the business while testing a new direction for the brand. In November, we opened a test restaurant named Rocky River Grillhouse(SM) in Cuyahoga Falls, OH. Rocky River Grillhouse serves bold, fresh flavors with favorites like grilled steaks, fresh fish, chicken and ribs in a comfortable lodge setting. This test builds upon Smokey Bones' strengths, which include good locations, a strong operations team, and an appealing lodge setting. Although still early in the test, we are pleased with the initial results at Rocky River Grillhouse.

Seasons 52®, Darden's newest test restaurant, is also performing well. Seasons 52 currently operates seven restaurants, including five in Florida and the two newest restaurants that opened this fiscal year in metro-Atlanta.

We continued our buyback of our common stock in the open market during the first half of the fiscal year, purchasing 3.9 million shares. Cumulatively, since initial authorization of our repurchase program in December 1995, we have now repurchased 136.5 million of our shares, a testament to our strong cash flows. We still have approximately 26 million shares remaining to be repurchased under current authorizations. We also increased our semi-annual dividend to 23 cents per share. This represents a 15% increase from the previous 20 cents per share semi-annual dividend.

We've got momentum going into the second half of fiscal 2007 and believe we are well positioned to deliver competitively superior results in any operating environment. At its core, our approach is about having a terrific team that's grounded in a strong culture and working to combine brand management and restaurant operations excellence.

We thank you for being a valued owner of Darden Restaurants. We encourage you to bring the attached complimentary 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.
Chairman and Chief Executive Officer
January 17, 2007

CONSOLIDATED STATEMENTS OF EARNINGS

(IN THOUSANDS, EXCEPT PER SHARE DATA — UNAUDITED)

	Quarter Ended		Six Months Ended	
	11/26/2006	11/27/2005	11/26/2006	11/27/2005
Sales	$1,385,299	$1,325,093	$2,841,173	$2,734,260
Costs and expenses:				
Cost of sales:				
Food and beverage	404,715	389,575	822,269	808,770
Restaurant labor	467,141	440,956	937,235	890,115
Restaurant expenses	218,489	215,081	442,165	429,775
Total cost of sales (1)	$1,090,345	$1,045,612	$2,201,669	$2,128,660
Selling, general and administrative	142,058	130,887	284,369	263,859
Depreciation and amortization	56,620	54,761	113,364	108,899
Interest, net	10,283	11,670	20,551	22,618
Asset impairment, net	261	1,294	4,911	1,357
Total costs and expenses	$1,299,567	$1,244,224	$2,624,864	$2,525,393
Earnings before income taxes	85,732	80,869	216,309	208,867
Income taxes	(24,070)	(25,812)	(66,104)	(68,296)
Net earnings	$ 61,662	$ 55,057	$ 150,205	$ 140,571
Net earnings per share:				
Basic	$ 0.42	$ 0.37	$ 1.04	$ 0.93
Diluted	$ 0.41	$ 0.35	$ 1.00	$ 0.89
Average number of common shares outstanding:				
Basic	145,300	149,600	145,100	151,400
Diluted	150,700	156,200	150,500	158,300
(1) Excludes restaurant depreciation and amortization as follows:	$ 53,150	$ 50,600	$ 105,796	$ 101,020

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	11/26/2006 (unaudited)	11/27/2005 (unaudited)	05/28/2006
ASSETS			
Current assets:			
Cash and cash equivalents	$ 38,400	$ 72,536	$ 42,334
Inventories	284,091	247,353	198,723
Other current assets	144,187	143,402	136,550
Total current assets	466,678	463,291	377,607
Land, buildings, and equipment, net	2,475,979	2,404,948	2,446,035
Other assets	187,793	187,270	186,528
Total assets	$ 3,130,450	$ 3,055,509	$ 3,010,170
LIABILITIES and STOCKHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 149,983	$ 149,988	$ 149,948
Other current liabilities	943,545	738,563	876,130
Total current liabilities	1,093,528	888,551	1,026,078
Long-term debt, less current portion	493,174	645,830	494,653
Other liabilities	264,752	266,338	259,676
Total liabilities	1,851,454	1,800,719	1,780,407
Stockholders' equity	1,278,996	1,254,790	1,229,763
Total liabilities and stockholders' equity	$ 3,130,450	$ 3,055,509	$ 3,010,170

RESULTS OF 2006 ANNUAL MEETING OF SHAREHOLDERS

On September 15, 2006, Chairman and Chief Executive Officer Clarence Otis, Jr. welcomed shareholders to Darden's annual meeting in Orlando. Shareholders were asked to elect thirteen directors. Shareholders also were asked to ratify the Board's appointment of KPMG LLP to audit our consolidated financial statements for fiscal 2007, to vote on the Amended Darden Restaurants, Inc. 2002 Stock Incentive Plan, and to consider a non-binding shareholder proposal regarding the adoption of a majority vote standard for the election of directors. Over 89% of our outstanding shares were represented at the meeting. All of our director nominees were elected, the appointment of KPMG was ratified, and the other matters were approved. Detailed voting results appear in Darden's Form 10-Q for the quarter ended November 26, 2006.

Darden Restaurants, Inc. is traded on the New York Stock Exchange under the stock symbol DRI. The Company's transfer agent is Wells Fargo Shareowner Services, 161 N. Concord Exchange, South St. Paul, MN 55075-1139, (877) 602-7596. 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 intense competition, changing economic or business conditions, the price and availability of food, ingredients and utilities, labor and insurance costs, increased advertising and marketing costs, higher-than-anticipated costs to open or close restaurants, litigation, unfavorable publicity, a lack of suitable locations, government regulations, a failure to achieve growth objectives, weather, risks associated with our plans to improve financial performance at Bahama Breeze and Smokey Bones and to reposition Smokey Bones, and other factors discussed from time to time in reports filed by the Company with the Securities and Exchange Commission.

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