



DARDEN
RESTAURANTS



Fiscal 2001
M I D - Y E A R



Shareholder
R E P O R T



T O O U R Shareholders

We are exceptionally pleased with the very strong first half results at both Red Lobster and Olive Garden, as well as the positive performance of our newer concepts, Bahama Breeze and Smokey Bones BBQ and Sports Bar. We have solid core businesses, promising new concepts and an absolute commitment to strengthening each of our strategic building blocks — day-to-day operating excellence in our restaurants, continuous leadership development throughout the Company, service and hospitality that redefines casual dining, and ever-improving culinary expertise. With these strengths, we intend to capitalize on the sharp long-term growth the casual dining industry will continue to experience, growth that will be propelled by favorable consumer lifestyle changes and long-term demographic trends. In the nearer term, the economy appears to be returning to more normal levels after a period of unprecedented economic growth. I believe the unparalleled strengths of our company will enable us to respond well to this challenge and any others that emerge.

For the first half of fiscal year 2001, sales of \$1.95 billion were 9.7% above last year. Net earnings were \$86.5 million or 70 cents per diluted share, up from \$71.8 million or 53 cents per diluted share the first half of last year.

Olive Garden's first half sales of \$843.4 million were 9.3% above the prior year. On a same-restaurant basis, sales were up 8.0%, compared to the 7.5% increase in the first half of last year. Olive Garden's sales improvement continued to be driven primarily by same-restaurant guest count increases, robust wine sales, and operational excellence. This performance, combined with lower restaurant-level operating costs as a percent of sales, generated a double-digit operating profit increase.

In the second quarter, Olive Garden's impressive record of growth continued with a 7.2% same-restaurant sales increase, representing the 25th consecutive quarter of same-restaurant sales increases. This is particularly strong coming on top of a 6.8% same-restaurant sales increase in the second quarter last year. The continued sales improvement reflects terrific acceptance of the new menu, a higher check average, outstanding increases in wine sales with growth exceeding 20%, and good response to proven promotions like "Never Ending Pasta Bowl".

At the end of the second quarter, Olive Garden operated 468 restaurants, compared to 463 units at the same point last year. During the first half of fiscal 2001, one new restaurant opened and two were closed.

Red Lobster's first half sales of \$1.06 billion were 7.7% higher than last year. On a same-restaurant basis, sales were up 7.2%, comparing favorably to the 5.9% increase in the first half of last year. Operating profit for the first half increased at a very impressive double-digit rate as a result of strong sales growth and favorable restaurant-level operating costs as a percent of sales.

Red Lobster's same-restaurant sales increased 8.4% in the second quarter, on top of an already strong 8.2% second quarter

increase last year. This was the 12th consecutive quarter of same-restaurant sales increases. This year's sales improvement resulted from increased same-restaurant guest counts and menu mix changes as guests responded favorably to exciting new items and the successful "30-Shrimp for \$10.99" promotional offering.

At the end of the second quarter, Red Lobster operated 652 restaurants, compared to 650 units at the same point last year. During the first half of fiscal 2001, two restaurants were relocated, two restaurants were rebuilt, and six restaurants were closed.

Bahama Breeze's sales continued to exceed our expectations at both newly opened and existing restaurants, offering solid evidence the company is successfully building a brand that is attractive to a broad range of consumers. One location, Oklahoma City, OK, was opened during the first half of the year, bringing the total number of units in operation to fifteen. In addition, since the quarter ended, restaurants were opened in Lake Buena Vista (Orlando) and Pembroke Pines (Miami).

Smokey Bones BBQ and Sports Bar, our latest test concept, opened in September 1999 in Orlando, FL. During the first half of this fiscal year, two restaurants were opened, one in Columbus, OH and another in Albany, NY. These are the first locations outside of Orlando, bringing the total number of restaurants in operation to four. With the restaurants' strong early results, Smokey Bones BBQ is moving to a second phase of testing with five more restaurants planned for development this year. We are excited about the potential of Smokey Bones BBQ.

We continued our buyback of common stock in the open market, purchasing 4.5 million shares in the first half of the year. Cumulatively, since initial authorization of the repurchase program in December 1995, Darden has repurchased 48.6 million shares from a total authorization of 64.6 million shares.

We are extremely proud of the Company's financial results and delighted to share them with you at this time. Our comparable restaurant sales continued to outperform the casual dining industry. We have strong fundamentals and solid strategic plans in place to become the best in casual dining, an industry which has exceptional growth prospects. We are excited about the tremendous opportunity we have, and we intend to capture it fully by providing excellent food, great service and warm hospitality to every guest, every time.

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 what's going on at Darden!

Joe R. Lee
Chairman and Chief Executive Officer

January 23, 2001

Consolidated Statements of Earnings

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

	13 Weeks Ended		26 Weeks Ended	
	11/26/2000	11/28/1999	11/26/2000	11/28/1999
Sales	\$931,958	\$848,231	\$1,950,163	\$1,777,622
Costs and Expenses:				
Cost of Sales:				
Food and Beverage	298,361	271,802	629,398	570,630
Restaurant Labor	302,908	280,310	621,539	575,723
Restaurant Expenses	135,857	126,910	275,359	258,737
Total Cost of Sales	737,126	679,022	1,526,296	1,405,090
Selling, General and Administrative	105,955	94,208	205,242	188,358
Depreciation and Amortization	35,789	31,771	71,425	63,141
Interest, net	7,777	5,265	14,051	9,841
Total Costs and Expenses	886,647	810,266	1,817,014	1,666,430
Earnings before Income Taxes	45,311	37,965	133,149	111,192
Income Taxes	(15,770)	(13,511)	(46,687)	(39,425)
Net Earnings	\$29,541	\$24,454	\$86,462	\$71,767
Net Earnings per Share:				
Basic	\$0.25	\$0.19	\$0.72	\$0.55
Diluted	\$0.24	\$0.18	\$0.70	\$0.53
Average Number of Common Shares Outstanding:				
Basic	119,800	130,800	120,700	131,500
Diluted	123,700	134,500	124,100	135,500

Condensed Consolidated Balance Sheets

(DOLLAR AMOUNTS IN THOUSANDS)

ASSETS	(Unaudited)	(Unaudited)	
	11/26/2000	11/28/1999	5/28/2000
Current Assets:			
Cash and Cash Equivalents	\$ 7,753	\$ 19,947	\$ 26,102
Inventories	207,850	215,261	142,187
Other Current Assets	115,842	115,664	122,171
Total Current Assets	331,445	350,872	290,460
Land, Buildings and Equipment	1,662,370	1,491,353	1,578,541
Other Assets	104,449	102,909	102,422
Total Assets	\$2,098,264	\$1,945,134	\$1,971,423
LIABILITIES and STOCKHOLDERS' EQUITY			
Current Liabilities:			
Short-Term Debt	\$ 89,300	\$138,700	\$ 115,000
Other Current Liabilities	463,946	433,190	491,887
Total Current Liabilities	553,246	571,890	606,887
Long-Term Debt	447,739	311,370	304,073
Other Liabilities	100,639	95,737	99,993
Total Liabilities	1,101,624	978,997	1,010,953
Stockholders' Equity	996,640	966,137	960,470
Total Liabilities and Stockholders' Equity	\$2,098,264	\$1,945,134	\$1,971,423

Report of 2000 Annual Meeting

On September 20, 2000, Chairman and Chief Executive Officer Joe Lee welcomed shareholders to Darden's annual meeting in Orlando. Shareholders elected twelve directors, all of whom were existing members of Darden's board. Shareholders also approved the appointment of KPMG LLP to audit Darden's consolidated financial statements and, the amendment and restatement of Darden Restaurants, Inc. Management and Professional Incentive Plan. Over 90% of Darden's outstanding shares were represented at the meeting, and all nominees and action items received favorable votes from at least 94% of the shares represented. Voting results for each nominee and item appear in Darden's Form 10-Q for the quarter ended November 26, 2000.

Darden Restaurants, Inc. is traded on the New York Stock Exchange under the stock symbol DRI. The Company's transfer agent is First Union National 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 form 10-K or quarterly form 10-Q reports free of charge.