



4

4 Great Reasons

**To invest in our industry.
To invest in Darden.**

BUSINESS DESCRIPTION

Darden Restaurants, Inc., is the largest publicly traded casual dining company in the world, serving almost 300 million meals a year at 1,139 restaurants in 49 states across the United States and Canada. Total sales for fiscal 2000 exceeded \$3.7 billion.

Darden's flagship brands, *Red Lobster*® and *Olive Garden*®, hold dominant shares in the seafood and Italian segments of casual dining. Two emerging concepts, *Bahama Breeze*® and *Smokey Bones BBQ Sports Bar*,SM are at promising stages of development. Darden is based in Orlando, Florida, and employs more than 122,000 individuals. Darden's employees are working to create a culture of continuous improvement in leadership development, hospitality excellence and culinary innovation, supported by a fundamental commitment to workforce diversity.

Darden became a publicly held company in 1995 and is traded on the New York Stock Exchange under the symbol DRI.

CONTENTS

Darden Restaurants At-A-Glance / Foldout	Some Appetizing Facts / 2 – 9	Letter To Shareholders / 10 – 12
The Main Course – 4 Reasons / 13 – 21	Financial Review / 22 – 44	Corporate Responsibility / 45 – 47
Board of Directors and Corporate Officers / 48	Shareholder Information / 49	

DARDEN RESTAURANTS AT-A-GLANCE



Red Lobster is America’s most successful casual dining seafood restaurant company, increasing its appeal by offering every guest fresh, exciting new menu items in an attractive dining environment. At the heart of *Red Lobster’s* current success is its Compass – a set of principles and promises to all of the company’s stakeholders. Guided by the Compass, *Red Lobster* and its crew are infusing every aspect of their business with delight, trust and magic so guests are treated to ever-better dining experiences. The company seeks to provide guests with hospitality they can taste and touch. *Red Lobster* has delivered 10 consecutive quarters of same-restaurant sales increases and in fiscal 2000 surpassed \$2 billion in sales for the first time.

President	Richard Rivera	Market Share of	
Number of Restaurants	654	Casual Dining Seafood	46%
Total System Sales	\$2.07 Billion	Annual Same-Restaurant Sales	+7.6%
Average Restaurant Sales	\$3.2 Million		



Olive Garden is a family of local restaurants focused on providing every guest with a genuine Italian dining experience. It is the dominant leader in the highly competitive casual dining Italian segment and is well positioned for continued strong growth. The unprecedented joint venture with a family-owned winery in Italy has led to opening a new restaurant and Culinary Institute in an 11 th-century village in Tuscany, which is inspiring new authentic menu items and providing an outstanding training venue for the *Olive Garden* team. The wine list has been greatly expanded with some of the best wines in the world. This year *Olive Garden* delivered its 23rd consecutive quarter of same-restaurant sales increases, based on the *Olive Garden* Principles and its passion for “100% Guest Delight.”

President	Bradley Blum	Market Share of	
Number of Restaurants	469	Casual Dining Italian	34%
Total System Sales	\$1.58 Billion	Annual Same-Restaurant Sales	+7.2%
Average Restaurant Sales	\$3.4 Million		



Bahama Breeze promises a two-hour island vacation – complete with outstanding Caribbean cuisine, specialty hand-crafted drinks, live music and a wonderful kicked-back, yet energized atmosphere. Guests have responded enthusiastically to these truly distinctive casual dining restaurants, making *Bahama Breeze* an exciting growth opportunity for Darden.

President	Gary Heckel
Number of Restaurants	14 – Orlando (2), Memphis, Tampa, Atlanta (3), Raleigh, Birmingham, Louisville, Austin, Phoenix, Ft. Myers and Miami



Smokey Bones is Darden’s latest internally developed concept. It is delivering exciting early results, and is moving to its next phase of testing. The restaurant mixes mountain lodge comfort with great food, great service and a great helping of sports. *Smokey Bones* is proving to have broad appeal and has become a popular gathering place for avid fans, families and singles.

President	Robert Mock
Number of Restaurants	2 – both in Orlando

NEW BUSINESS DEVELOPMENT

Darden is always focused on developing and acquiring exciting new casual dining restaurant concepts. Leading these efforts is Darden’s New Business Development team, which engages in thorough market and consumer research to assess the business potential of each new growth opportunity. Darden seeks to create or acquire restaurant companies that can be number one or two in a market segment.

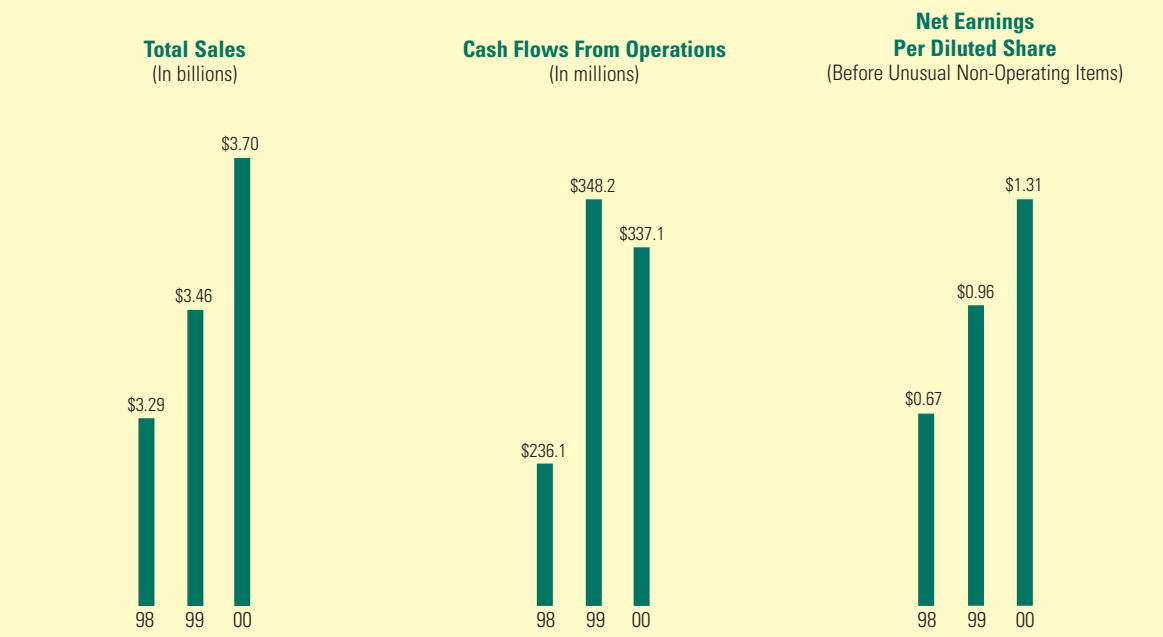
President	Blaine Sweatt, III
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FINANCIAL HIGHLIGHTS

DARDEN RESTAURANTS

	Fiscal Year Ended		
	May 28, 2000*	May 30, 1999*	May 31, 1998
<i>(In Millions, Except Per Share Amounts)</i>			
Sales	\$3,701.3	\$3,458.1	\$3,287.0
Restaurant Operating Profit	\$ 800.3	\$ 713.2	\$ 658.6
Net Earnings after Tax	\$ 176.7	\$ 140.5	\$ 101.7
Net Earnings per Share			
Basic	\$ 1.38	\$ 1.02	\$ 0.69
Diluted	\$ 1.34	\$ 0.99	\$ 0.67
Dividends per Share	\$ 0.08	\$ 0.08	\$ 0.08
Average Shares Outstanding			
Basic	128.5	137.3	148.3
Diluted	131.9	141.4	151.4
Earnings after Tax before Restructuring and Asset Impairment Credit, Net	\$ 173.1	\$ 135.3	\$ 101.7
Earnings per Share before Restructuring and Asset Impairment Credit, Net			
Basic	\$ 1.35	\$ 0.99	\$ 0.69
Diluted	\$ 1.31	\$ 0.96	\$ 0.67

* After-tax restructuring credits of \$5.2 million and \$5.2 million were taken in 2000 and 1999, respectively, as the Company reversed portions of its 1997 restructuring liability. The liability pertains to a fiscal 1997 restructuring and asset impairment charge related to restaurant properties that were previously identified in 1997 as low performing. During 2000, an after-tax asset impairment charge of \$1.6 million was taken related to additional write-downs of impaired properties.





First,

some appetizing facts...



Americans' favorite food when
they dine out is seafood.*

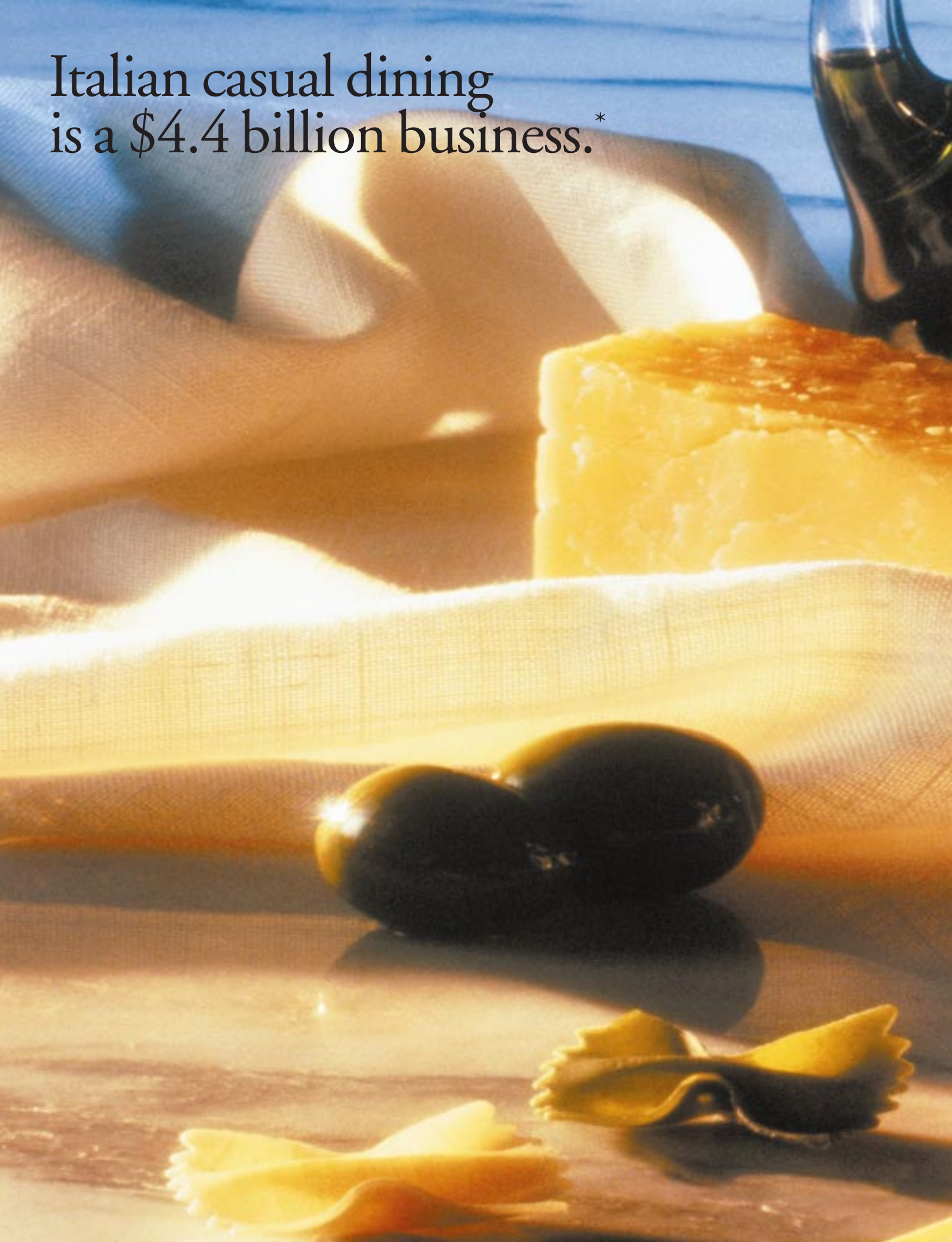




Red Lobster has a dominant
46% share of seafood
casual dining.

*Source: Darden Market Structure Study 2000

Italian casual dining
is a \$4.4 billion business.*






Olive Garden has an industry-leading
34% share of Italian casual dining.

*Source: Consumer Reports on Eating Share Trends (CREST)

American diners
crave bolder, more
sophisticated flavors.





Bahama Breeze
delivers distinctive,
flavorful, award-
winning food
rated “excellent”
in the Zagat
Dining Guide.

Casual diners also seek new
and different experiences.





Darden has created some of
the most successful new restaurant
concepts in the business.

LETTER TO SHAREHOLDERS



Joe R. Lee
Chairman, Chief Executive Officer
Darden Restaurants

To Our Shareholders, Employees and Guests:

Fiscal 2000 was our best year ever, with the strongest results in our history. This terrific financial performance reflects continued progress toward our goal – being the best company in casual dining, now and for generations.

- Revenues increased 7% to \$3.7 billion, driven by strong same-restaurant sales growth at *Red Lobster* and *Olive Garden* and continued expansion of *Bahama Breeze*.
 - Earnings after tax before an unusual non-operating gain increased 28% to \$173.1 million, our highest level ever.
 - Earnings per share on a diluted basis before the unusual gain rose 36% to \$1.31, a significant achievement coming on top of the 43% prior year increase.
 - *Red Lobster* had annual sales of \$2.07 billion and its average sales per restaurant were \$3.2 million, record performances in both categories. *Red Lobster's* same-restaurant sales increased 7.6% for the year and were positive in every quarter, completing 10 consecutive quarters of comparable restaurant sales increases.
 - *Olive Garden's* annual sales were \$1.58 billion and its sales per restaurant averaged \$3.4 million, establishing *Olive Garden* records in both categories. *Olive Garden's* same-restaurant sales increased 7.2% for the year and were strongly positive every quarter. It posted 23 consecutive quarters of positive comparable restaurant sales.
- *Bahama Breeze* continued to be enthusiastically received by guests, opening eight more restaurants in six new markets. Guests can now enjoy a “two-hour vacation in the islands” in any one of 14 different *Bahama Breeze* restaurants in 11 markets.
 - In September 1999, we introduced our latest internally developed restaurant concept, *Smokey Bones BBQ Sports Bar*. This concept combines two features we believe are extremely promising – barbecue and a relaxed sports bar experience – and is an exciting addition to our portfolio. There are currently two restaurants, both located in Orlando, and we plan to extend the test with another restaurant in Columbus, OH, early in fiscal 2001.
 - With our strong cash flow and balance sheet, we invested in growth while also repurchasing 11.5 million shares, or \$202 million, of Darden stock in fiscal 2000. We have repurchased 44.1 million shares of stock since the program began in December 1995 and have authorization to purchase an additional 20.5 million shares.

Our passion is to be the best in casual dining, now and for generations. Casual dining is a growth industry and we are committed to capturing that growth opportunity. We believe we have the right strategy and the right team to deliver significant growth in sales, earnings and shareholder value.

Our passion is to be the best in casual dining, now and for generations.

Casual dining is expected to grow at a compound annual rate of 6% to 8% over the next 10 years.

We made tremendous progress in executing our strategy in fiscal 2000. We've set our sights high and recognize there is much more work to be done. We are energized by the challenge. Here's how we see the future unfolding for Darden Restaurants.

THE GROWTH OPPORTUNITY

Casual dining sales totaled more than \$44 billion in calendar 1999, a 7.0% increase over calendar 1998. Darden's \$3.7 billion in sales in fiscal 2000 represents just over 8% of the industry total, making Darden the largest casual dining restaurant company in the world. Casual dining is projected to grow at a compound annual rate of 6% to 8% over the next 10 years, which is consistent with the 6.9% compound annual growth the segment experienced from 1990 through 1999. At this expected growth rate, the casual dining segment will double in size within 10 years.

The factors driving casual dining are truly powerful. Leading the way is the generation of baby boomers entering their peak casual dining years, with increased dining-out frequency due to higher disposable incomes, more leisure time and less interest in cooking.

Adding to the growth expectations for casual dining is the increasing participation of women in the workforce, which boosts family income, results in more meals away from home (especially lunch) and contributes to the declining time for and interest in cooking.

Finally, hectic schedules for people of all ages result in dramatic lifestyle changes. Consumers place a premium on the service, convenience and social reconnection time they can receive from casual dining. Casual dining has become more than an occasional indulgence for a few. It has become a frequent necessity for many. And these consumers are more demanding than ever, seeking bolder flavors, interesting preparations and skilled, individualized service.

We intend to capture the tremendous opportunity ahead of us and increase our share of the casual dining industry. We plan to do this while delivering total returns to our shareholders that rank among the best in our industry.

Darden is uniquely positioned to capitalize on the growth opportunity casual dining offers.

DARDEN'S GROWTH STRATEGY

Darden is uniquely positioned to capitalize on the growth opportunity casual dining offers. We are the only company in casual dining with two well-established top-tier restaurant concepts, each with sales exceeding \$1.5 billion. I believe we have the deepest, most seasoned management team in the industry. And we have one of the strongest financial positions in casual dining, with the strongest cash flow and an investment grade credit profile that offers flexible, cost-effective access to capital to fund our growth. These leadership and financial resources provide a terrific platform for sustaining and growing Darden well into the future.

Our growth strategy starts with keeping our core concepts – *Red Lobster* and *Olive Garden* – fresh and vibrant. We will reinvest in these businesses to sustain same-restaurant sales growth, and we will expand them, adding meaningfully to our new restaurant growth. By growing *Red Lobster* and *Olive Garden*, we expect to generate much of the cash flow needed to fund new restaurant growth at emerging concepts like *Bahama Breeze*, to develop potential new concepts like *Smokey Bones* and to acquire or internally create other concepts with strong consumer appeal.

As we consider our future, we begin and end with our guests. We are convinced that to remain attractive and relevant, we must continually evolve with our guests. To do so, we must have an ongoing commitment to being brilliant with the basics when it comes to four strategic building blocks:

- Day-to-day operating excellence in our restaurants.
- Continuous leadership development throughout our Company.
- Service and hospitality that redefines casual dining.
- A commitment to ever-improving culinary expertise.

We have made great strides in strengthening each of these building blocks. It is because of this progress we are able to turn again to aggressively expanding our business and do so with confidence. In fiscal 2001, we will increase the total number of restaurants for the first time since 1995, with *Red Lobster*, *Olive Garden* and *Bahama Breeze* all contributing. *Smokey Bones*, if it continues to test well, will also play a meaningful part.

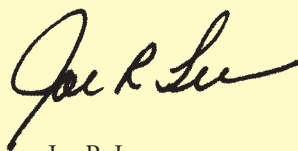
Underlining our efforts is careful attention to two factors we believe can make a huge difference in the amount of success we enjoy: diversity and technology. We are developing an organization-wide diversity sensibility that enables us to respond effectively to differences in the behaviors, expectations and attitudes of our increasingly diverse guests and employees. This sensibility will enable us to strengthen each of our strategic building blocks. We are pleased with the progress we've made thus far, which is reflected in our selection once again to *Fortune* magazine's list of "America's 50 Best Companies for Minorities." We also intend to invest in and leverage our considerable technology platform. We see an opportunity to use technology to increase our effectiveness in each critical area of our business, extending the casual dining technology leadership advantage Darden has long had.

We are convinced that to remain attractive and relevant, we must continually evolve with our guests, by being brilliant with the basics.

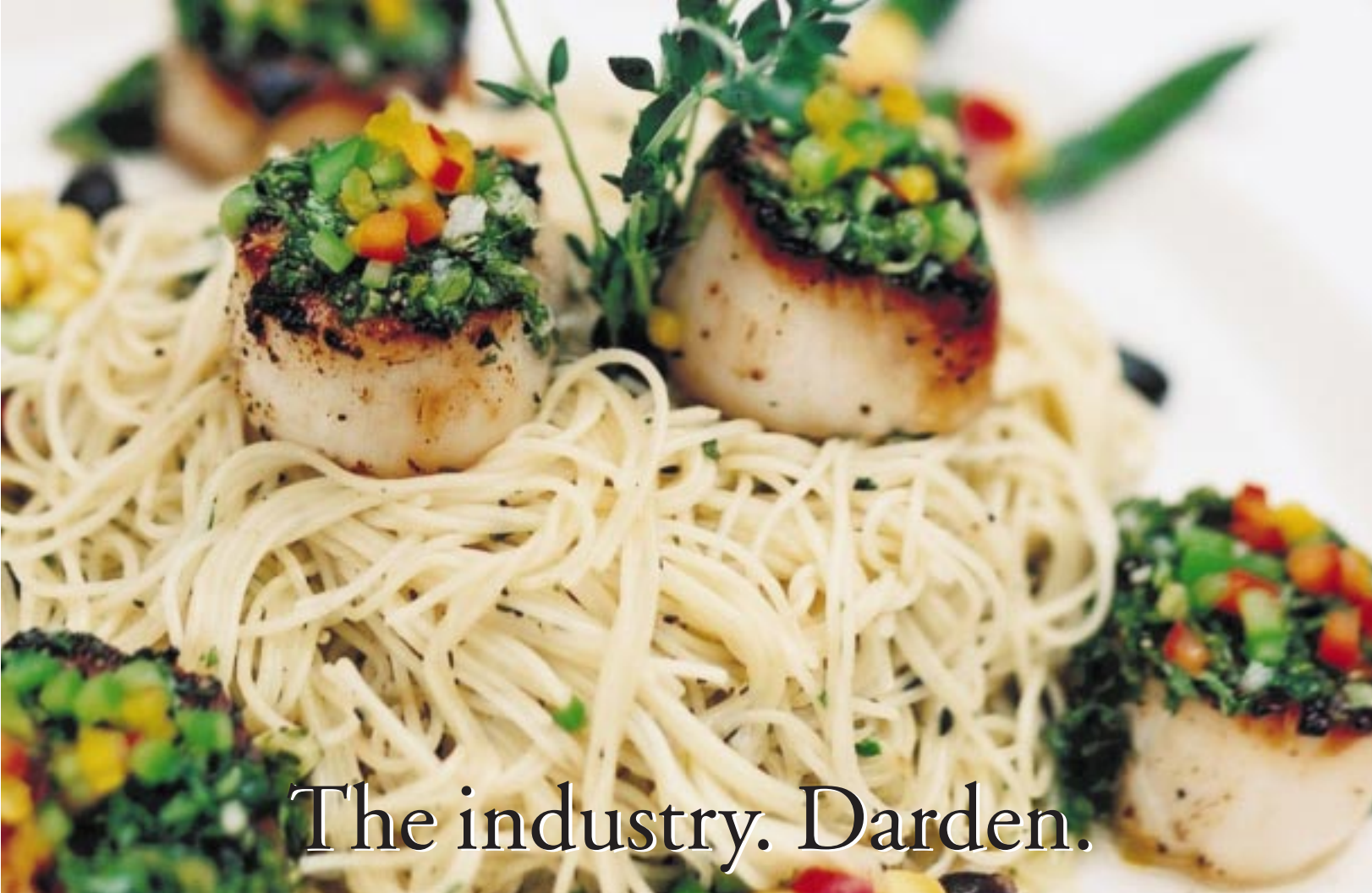
SUMMARY

As Bill Darden, the founder of Darden Restaurants said, "the greatest competitive edge our company has is the quality of our employees as evidenced by the excellent job they do every day." I want to thank our more than 122,000 terrific employees for their contributions to Darden's operating success in fiscal 2000. Without their personal commitment to delivering outstanding food and service to our guests, we couldn't even dream of becoming the best casual dining company now and for generations to come. Because of them, we are well on the way to that goal.

We also thank you for your support as shareholders, and we look forward to a bright future together for Darden Restaurants.



Joe R. Lee
Chairman, Chief Executive Officer
Darden Restaurants



The industry. Darden.



The main course.



RED LOBSTER



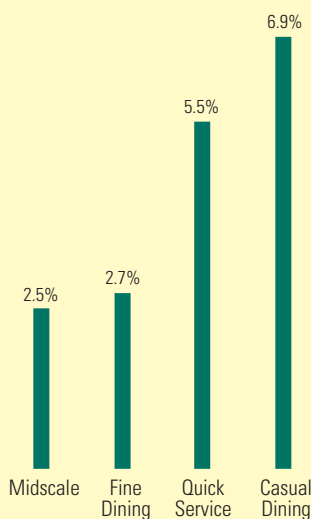
OLIVE GARDEN

1. THE INDUSTRY

Casual dining is the fastest growing segment of the restaurant industry.

During the 1990s, casual dining sales growth was robust, averaging 6.9% annually. In 1999, industry sales were more than \$44 billion, and they are expected to grow 6-8% a year over the next 10 years. At this rate, casual dining sales are projected to increase faster than sales in every other segment of the restaurant industry, continuing the trend from the 1990s.

**Compound Annual Sales Growth
Casual Dining vs. Other Restaurant Segments
1990 – 1999**



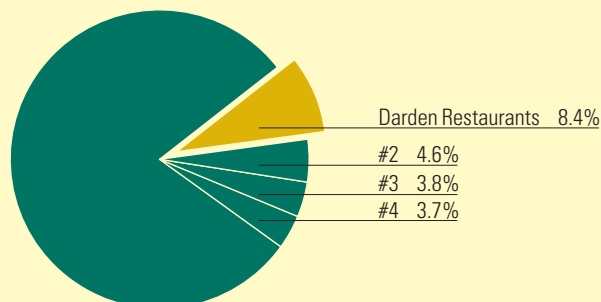
Source: CREST

DARDEN

Darden is the casual dining leader, with unsurpassed market share and brand awareness.

Darden is the world's largest casual dining operator with more than 8% of the market – that's nearly four percentage points greater than the next closest competitor. The Company's 1,139 restaurants serve more than five million guests every week and deliver almost 300 million dining experiences every year. With *Red Lobster* and *Olive Garden*, Darden is the only company that has two firmly established top-tier casual dining success stories. Darden dominates the food categories people crave most – seafood and Italian – and has unmatched brand awareness, built on longevity and marketing prowess. The Company also has an unparalleled portfolio of top restaurant locations.

**Darden Market Share
Total Casual Dining Sales = \$44 Billion+**



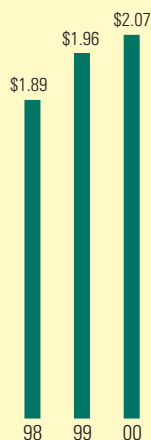


BAHAMA BREEZE



SMOKEY BONES

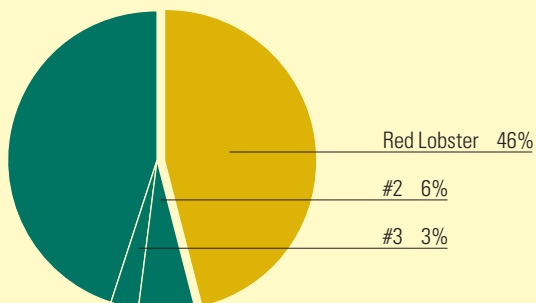
Red Lobster Total Sales (In billions)



Red Lobster Average Restaurant Sales (In millions)



Red Lobster Market Share Total Casual Dining Seafood = \$4.2 Billion



New Menu Items

- Salmon New Orleans
- Teriyaki Fresh Fish with Island Salsa
- Bacon-Wrapped Stuffed Shrimp
- Golden Calamari with Veggies

Awards and Recognition

- "Choice in Chains" Award – *Restaurants & Institutions*
- "Best Chain Spirits Program" Award – *Cheers* magazine
- "Trailblazer" Award to Richard Rivera for "furthering opportunities for women and minorities" – Women's Foodservice Forum

Marketing Initiatives

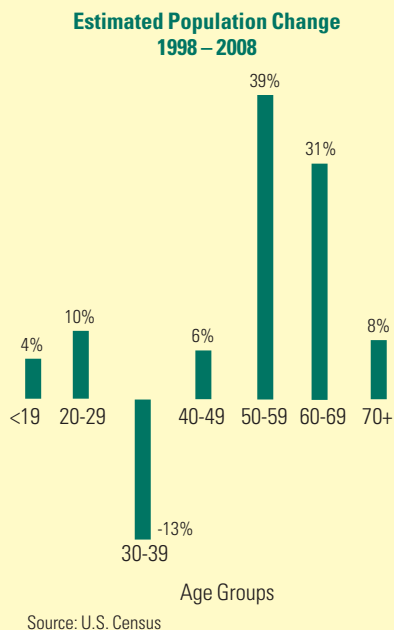
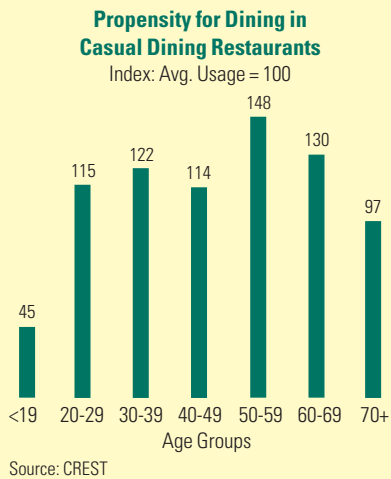
- Introduced "Clawde," our Lobster Truck "Ambassador"
- Sponsored NASCAR's Petty Racing Team
- Shrimp Lover's Mondays

Concept Profile

- 654 restaurants
- Growth potential: 75-125 restaurants

Prospects for continued growth in casual dining have never been better – creating a compelling investment opportunity.

The drivers of casual dining growth are powerful. People dine in casual dining restaurants more as they age and over the next decade the number of people in their peak casual dining years will surge. The participation of women in the workforce will continue to grow, another positive for casual dining. Disposable income growth is expected to remain healthy, which also bodes well for the segment.



Darden's strategy capitalizes on the growth in casual dining.

The one constant in the casual dining business is change. As consumers dine out more, they become increasingly adventuresome and demanding.

To remain attractive and relevant to consumers, Darden operates with a culture of continuous improvement. The Company is focused on brilliance in:

- In-restaurant operational excellence.
- Leadership development.
- Standard-setting hospitality and service levels.
- Casual dining culinary creativity.

By meeting the needs of today's consumer, while always evolving, innovating and setting new standards for the future, Darden seeks to exceed casual dining industry growth. Focusing on what matters most to guests is essential to:

- Sustained long-term sales growth at existing restaurants.
- New restaurant growth at existing concepts.
- Development of attractive new concepts.



Olive Garden's new Tuscan Farmhouse design.



RED LOBSTER



OLIVE GARDEN



BAHAMA BREEZE



SMOKEY BONES

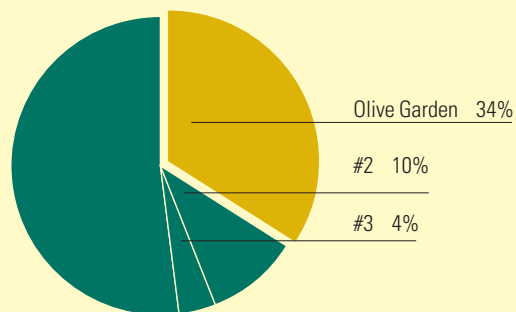
Olive Garden Total Sales (In billions)



Olive Garden Average Restaurant Sales (In millions)



Olive Garden Market Share Total Casual Dining Italian = \$4.4 Billion



New Menu Items

- Chicken vino Bianco
- Lobster Spaghetti
- Tortelloni di Fizzano
- Pork Filetino

Awards and Recognition

- "Choice in Chains" Award – *Restaurants & Institutions*
- "Toast of the Year" recognition for commitment to providing "authentic Italian cuisine" – *Food Arts* magazine
- "Hospitality Award" – Robert Mondavi Winery
- Extensive media coverage of Olive Garden Riserva di Fizzano and Culinary Institute in Tuscany, Italy

Marketing Initiatives

- Expanded wine list from 19 to 33 offerings
- Wine Sampling Program in Olive Garden lobbies
- Sponsored Italy's Team Rafanelli for the American Le Mans Series racing championship

Concept Profile

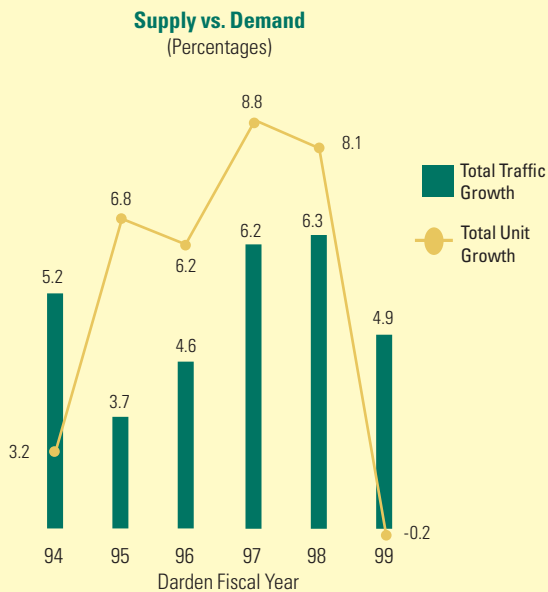
- 469 restaurants
- Growth potential: 150-200 restaurants

3. THE INDUSTRY

Casual dining's current business climate is strong, with demand exceeding supply.

The current supply and demand dynamics in casual dining are excellent. Traffic growth has remained strong while unit growth has tempered, coming off the overheated levels of the mid-1990s. The result has been a healthy balance, with the strongest operators enjoying more traffic per unit.

Two factors enhance this favorable climate. In a tight labor market, only employers of choice will find the capable employees to successfully staff unit expansion. And rising interest rates and disappointing performances by venture restaurant companies in the 1990s make it challenging for all but the most successful companies to secure capital to fund expansion.



Sources: Unit Growth from RECOUNT
Traffic Growth from CREST

DARDEN

Red Lobster and *Olive Garden* are both outperforming the casual dining industry.

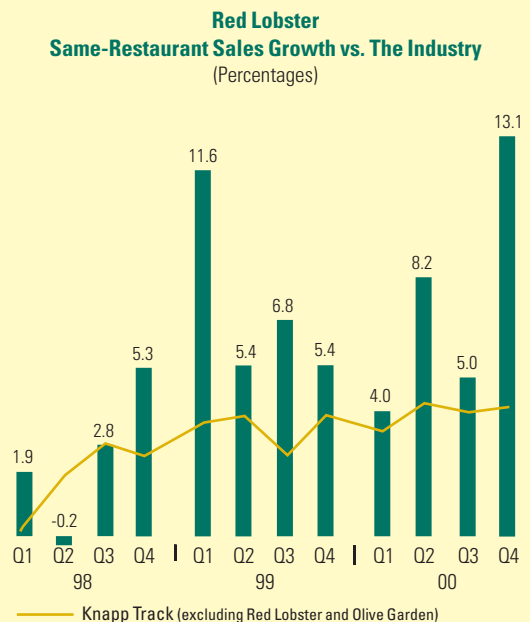
Red Lobster and *Olive Garden* have had same-restaurant sales growth for 10 and 23 quarters, respectively. By staying fresh and relevant to today's consumers, each has outpaced the industry.

Much of this success stems from Darden's reliance on constant consumer research. Capitalizing on this research and the fact that seafood has nearly universal appeal, *Red Lobster* differentiates itself from the competition by offering unique regional dishes; traffic-building promotions like its signature Lobsterfest; well-trained, highly motivated crew members; remodeled bar areas; and a lively, festive dining atmosphere.

Olive Garden has become a family of local restaurants providing a genuine Italian dining experience to guests. It serves approachable, fresh, high-quality Italian food, complemented by a great glass of wine, in revitalized restaurants and in new restaurants with the exciting, home-like Tuscan Farmhouse design.

Olive Garden also benefits from a unique partnership with Rocca delle Macie, one of Tuscany's most respected family-owned wineries. Together they have established the Culinary Institute of Tuscany, where *Olive Garden* chefs share ideas with their Italian counterparts and create new authentic Italian dishes, while also experiencing a total immersion in Italian culture.

Darden's consumer research guides the Company's search for new concepts and appealing acquisitions. *Bahama Breeze* and *Smokey Bones* were created through this process.





New Menu Items

- Jumbo Sea Scallops with Island Chimichurri
- Cheryl's Palomilla Steak
- Spicy Flame Grilled Fresh Tilapia

Awards and Recognition

- "Excellent" rating in national *Zagat Dining Guide*
- 2nd Place, Chef's Seafood Challenge – American Culinary Federation
- "Best Beverage Menu" – Florida Printer's Association
- Golden Palm Award for culinary excellence – *Orlando Magazine*
- Silver Medal, National Culinary Super Challenge – American Culinary Federation

Concept Profile

- 14 restaurants
- Growth potential: 125-175 restaurants

Olive Garden
Same-Restaurant Sales Growth vs. The Industry
(Percentages)





RED LOBSTER



OLIVE GARDEN

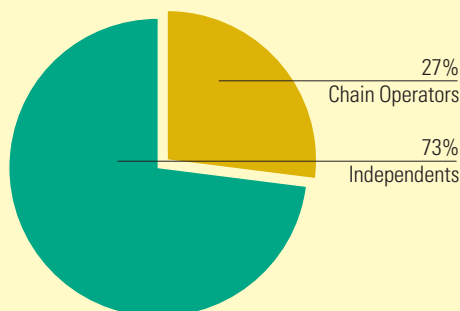
4.

THE INDUSTRY

There are huge market share opportunities for strong multi-restaurant operators.

Casual dining chains account for only 27% of total segment sales. The majority of the restaurants in the segment are owned and operated independently. In contrast, chain operators account for more than 60% of sales in the quick service restaurant category. If casual dining chains can leverage their considerable resources to increase share, the 6% to 8% sales growth projected for the category understates the opportunity available.

Chain Operators vs. Independents



Source: RECOUNT

DARDEN

Darden knows what it takes to succeed as a multi-restaurant casual dining operator.

Red Lobster and *Olive Garden* have emerged as two of the most popular brands in casual dining because of Darden's skill at creating and evolving the systems it takes to provide more than five million exceptional dining experiences a week. These include systems for recruiting, training and leadership development; real estate development; marketing; and the information technology and distribution systems required to get the right food and beverage products from suppliers to the restaurants and our guests quickly and cost-effectively.

Operating successfully on this scale takes leadership – leadership in everything from service to culinary innovation to well-trained employees and managers. This leadership talent is the scarcest resource in the industry. That's why Darden is committed to career and leadership development, spending five times more today than in the past on mentoring and teaching. It's also why Darden has one of the industry's most advanced management development programs, culminating in LADDR (Leadership Assessment and Development at Darden Restaurants) – a three-day assessment of readiness to be a general manager, with more than 2,000 participants in its first three years.

Darden also maintains a strong overall financial condition. This enables the Company to move with speed and flexibility as it works to acquire or develop new concepts, and also lets Darden continue to invest in people – the cornerstone of successful growth in casual dining – regardless of economic or industry conditions.



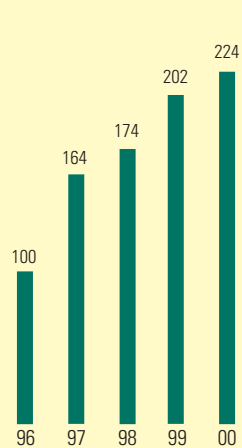
BAHAMA BREEZE



SMOKEY BONES

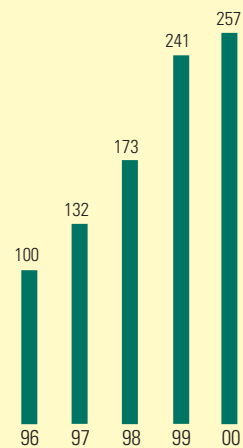
Investment in Training Red Lobster

Index: Fiscal 96 = 100

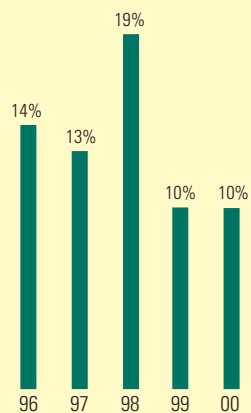


Investment in Training Olive Garden

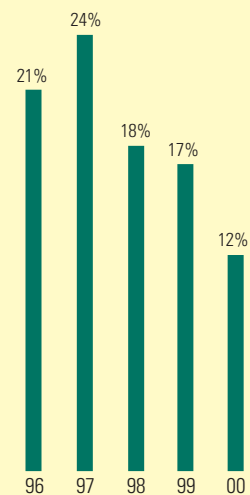
Index: Fiscal 96 = 100



General Manager Turnover Red Lobster



General Manager Turnover Olive Garden



MANAGEMENT'S DISCUSSION OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

DARDEN RESTAURANTS

Darden Restaurants, Inc. (Darden or the Company) operates 1,139 *Red Lobster*, *Olive Garden*, *Bahama Breeze* and *Smokey Bones* restaurants in the U.S. and Canada and licenses 35 restaurants in Japan. All of the restaurants in the U.S. and Canada are operated by the Company with no franchising.

This discussion should be read in conjunction with the business information and the consolidated financial statements and related notes found elsewhere in this report. Darden's fiscal year ends on the last Sunday in May.

Revenues

Total revenues in 2000 (52 weeks) were \$3.70 billion, a seven percent increase from 1999 (52 weeks). Total revenues in 1999 were \$3.46 billion, a five percent increase from 1998 (53 weeks).

Costs and Expenses

Food and beverage costs for 2000 were 32.4 percent of sales, a decrease of 0.4 percentage points from 1999 and a decrease of 0.6 percentage points from 1998. The lower level of food and beverage costs for 2000, as a percentage of sales, is primarily attributable to pricing, margin improving initiatives such as waste reduction, and a lower-margin promotion run by *Red Lobster* during the first quarter last year.

Restaurant labor decreased in 2000 to 31.9 percent of sales compared to 32.3 percent of sales in 1999 and 1998 primarily due to efficiencies resulting from higher sales volumes.

Restaurant expenses (primarily lease expenses, property taxes, utilities and workers' compensation costs) decreased in 2000 to 14.1 percent of sales compared to 14.3 percent in 1999 and 14.7 percent in 1998 primarily as a result of higher sales volumes and the fixed component of these expenses which are not impacted by higher sales volumes.

Selling, general and administrative expenses decreased in 2000 to 10.3 percent of sales compared to 10.4 percent in 1999 and 10.9 percent in 1998. The decreases in 2000 and 1999 in comparison to 1998 are principally a result of reduced marketing expenses as a percent of sales offset by additional labor costs associated with new concept expansion and development.

Depreciation and amortization expense of 3.5 percent of sales in 2000 decreased from 3.6 percent in 1999 and 3.8 percent in 1998 primarily as a result of increased sales levels. Interest expense was comparable from year to year at 0.6 percent of sales.

Income From Operations

Pre-tax earnings before net restructuring and asset impairment credit increased by 29.2 percent in 2000 to \$268.0 million, compared to \$207.4 million in 1999 and \$153.7 million in 1998. The increase in 2000 was mainly attributable to annual same-restaurant sales increases in the U.S. for both *Red Lobster* and *Olive Garden* totaling 7.6 percent and 7.2 percent, respectively. The increase in 1999 was mainly attributable to annual same-restaurant sales increases in the U.S. for both *Red Lobster* and *Olive Garden* totaling 7.4 percent and 9.0 percent, respectively. *Red Lobster* and *Olive Garden* have enjoyed ten and 23 consecutive quarters of U.S. same-restaurant sales increases, respectively.

Provision for Income Taxes

The effective tax rate for 2000 before net restructuring and asset impairment credit was 35.4 percent compared to 34.8 percent in 1999 and 33.8 percent in 1998. The increase in the effective tax rates each year is a result of higher annual pre-tax earnings.

MANAGEMENT'S DISCUSSION OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

DARDEN RESTAURANTS

Net Earnings and Net Earnings Per Share Before Restructuring and Asset Impairment Credit, Net

Net earnings before net restructuring and asset impairment credit for 2000 of \$173.1 million, or \$1.31 per diluted share, increased 27.9 percent, compared to 1999 net earnings before restructuring credit of \$135.3 million or 96 cents per diluted share. 1999 net earnings before restructuring credit increased 33 percent, compared to net earnings for 1998 of \$101.7 million or 67 cents per diluted share.

Net Earnings and Net Earnings Per Share

Net earnings after net restructuring and asset impairment credit for 2000 of \$176.7 million (\$1.34 per diluted share) compared with 1999's net earnings after restructuring credit of \$140.5 million (99 cents per diluted share) and 1998's net earnings of \$101.7 million (67 cents per diluted share).

During 1997, an after-tax restructuring and asset impairment charge of \$145.4 million (93 cents per diluted share) was taken related to low-performing restaurant properties in the U.S. and Canada and other long-lived assets including those restaurants that have been closed. The pre-tax charge included approximately \$160.7 million of non-cash charges primarily related to the write-down of buildings and equipment to net realizable value and approximately \$69.2 million of charges to be settled in cash related to carrying costs of buildings and equipment prior to their disposal, lease buy-out provisions, employee severance and other costs. Cash required to carry out these activities is being provided by operations and the sale of closed properties.

After-tax restructuring credits of \$5.2 million and \$5.2 million were taken in the fourth quarter of 2000 and 1999, respectively, as the Company reversed portions of its 1997 restructuring liability. The reversals primarily resulted from favorable lease terminations in 2000 and due to the Company's decision to close fewer restaurants than identified for closure as part of the initial restructuring action in 1999. The credits had no effect on the Company's cash flow.

During 2000, an after-tax asset impairment charge of \$1.6 million was taken in the fourth quarter related to additional write-downs of the value of properties held for disposition.

Financial Condition

Short-term debt totaled \$115.0 million as of May 28, 2000, up from \$23.5 million at May 30, 1999. The increase resulted primarily from increased share repurchase activity due to favorable Company stock prices during 2000 as well as increased spending on land, buildings and equipment.

Liquidity and Capital Resources

The Company intends to manage its business and its financial ratios to maintain an investment grade bond rating, which allows access to financing at reasonable costs. Currently, the Company's publicly issued long-term debt carries "Baa1" (Moody's Investor Services, Inc.), "BBB+" (Standard & Poor's Corporation) and "BBB+" (Fitch) ratings. The Company's commercial paper has ratings of "P-2" (Moody's), "A-2" (Standard & Poor's) and "F-2" (Fitch).

Darden's long-term debt includes \$150 million of 6.375 percent notes due in February 2006 and \$100 million of unsecured 7.125 percent debentures due in February 2016. The effective annual interest rate is 7.57 percent for the notes and 7.82 percent for the debentures, after consideration of loan costs, issuance discounts, and interest-rate swap termination costs.

Darden's long-term debt also includes a \$66.9 million commercial bank loan with an outstanding principal balance of \$52.6 million as of May 28, 2000, that is used to support two loans from the Company to the Employee Stock Ownership Plan portion of the Darden Savings Plan.

Commercial paper is the primary source of short-term financing. Bank credit lines are maintained to ensure availability of short-term funds on an as-needed basis. Available fee-paid credit lines, all of which are unused at May 28, 2000, total \$300 million.

MANAGEMENT'S DISCUSSION OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

DARDEN RESTAURANTS

The Company's adjusted debt-to-total capital ratio (which includes 6.25 times the total annual restaurant minimum rent and 3.00 times the total annual restaurant equipment minimum rent as a component of debt and total capital) was 42 percent and 39 percent at May 28, 2000, and May 30, 1999, respectively. The Company's fixed-charge coverage ratio, which measures the number of times each year that the Company earns enough to cover its fixed charges, amounted to 7.1 times at May 28, 2000, and 6.2 times at May 30, 1999. Based on these ratios, the Company believes its financial condition remains strong. The composition of the Company's capital structure is shown in the following table.

<i>\$ In millions</i>	May 28, 2000	May 30, 1999
Capital Structure		
Short-term debt	\$ 115.0	\$ 23.5
Long-term debt	306.6	316.5
Total debt	421.6	340.0
Stockholders' equity	960.5	964.0
Total capital	\$ 1,382.1	\$ 1,304.0
Adjustments to Capital		
Leases-debt equivalent	264.8	266.0
Adjusted total debt	686.4	606.0
Adjusted total capital	\$ 1,646.9	\$ 1,570.0
Debt-to-total capital ratio	31%	26%
Adjusted debt-to-adjusted total capital ratio	42%	39%

On July 13, 2000, the Company filed a registration statement with the Securities and Exchange Commission. The purpose of the filing was to register \$500 million of debt securities using a shelf registration process. Under this process, the Company may offer, from time to time, up to \$500 million of debt securities.

In 2000, 1999 and 1998, the Company declared eight cents per share in annual dividends paid in two installments. In March 2000, the Company's Board approved an additional authorization for the ongoing stock buy-back plan whereby the Company may purchase

on the open market up to 20.0 million additional shares of Darden common stock. This buy-back authorization is in addition to previously approved authorizations by the Board covering open market purchases of up to 44.6 million shares of Darden common stock. In 2000, 1999 and 1998, the Company purchased treasury stock totaling \$202 million, \$228 million, and \$171 million, respectively. As of May 28, 2000, 44.1 million shares have been purchased under the stock buy-back plan.

The Company generated \$337 million, \$348 million and \$236 million in funds from operating activities during 2000, 1999, and 1998, respectively. The Company requires capital principally for building new restaurants, replacing equipment and remodeling existing restaurants. Capital expenditures were \$269 million in 2000, compared to \$124 million in 1999, and \$112 million in 1998. The increased expenditures in 2000 resulted primarily from new restaurant growth as well as remodeling activity at *Olive Garden* and *Red Lobster* restaurants. The 2000, 1999 and 1998 capital expenditures, treasury stock purchases and dividend requirements were financed primarily through the issuance of commercial paper and internally generated funds. This has resulted in the Company carrying current liabilities in excess of current assets.

Year 2000

During 2000 and 1999, the Company addressed a matter commonly referred to as the "Year 2000" issue. The Company implemented extensive testing of its own date-sensitive systems and also assessed the year 2000 compliance status of third parties such as suppliers, banks, vendors and others with whom it does significant business. As of the end of 2000, the Company had spent approximately \$3.4 million on the Year 2000 issue. The Company has not experienced any material Year 2000

MANAGEMENT'S DISCUSSION OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

DARDEN RESTAURANTS

problems nor does it believe there will be any future material adverse impact to the Company's business, operations or financial position as a result of the Year 2000 issue.

Forward-Looking Statements

Certain information included in this report and other materials filed or to be filed by the Company with the Securities and Exchange Commission (as well as information included in oral statements or written statements made or to be made by the Company) may contain statements that are forward-looking within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include information relating to current expansion plans, business development activities, and Year 2000

compliance. Such forward-looking information is based on assumptions concerning important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by or on behalf of the Company. These risks and uncertainties include, but are not limited to, those relating to real estate development and construction activities, the issuance and renewal of licenses and permits for restaurant development and operation, economic conditions, changes in federal or state laws or the administration of such laws, and the Year 2000 readiness of suppliers, banks, vendors and others having a direct or indirect business relationship with the Company.

REPORT OF MANAGEMENT RESPONSIBILITIES

DARDEN RESTAURANTS

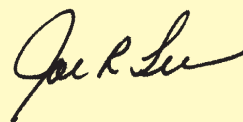
The management of Darden Restaurants, Inc. is responsible for the fairness and accuracy of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgments where appropriate. The financial information throughout this report is consistent with our consolidated financial statements.

Management has established a system of internal controls that provides reasonable assurance that assets are adequately safeguarded, and transactions are recorded accurately, in all material respects, in accordance with management's authorization. We maintain a strong audit program that independently evaluates the adequacy and effectiveness of internal controls. Our internal controls provide for appropriate separation of duties and responsibilities, and there are documented policies regarding utilization of Company assets and proper financial

reporting. These formally stated and regularly communicated policies demand highly ethical conduct from all employees.

The Audit Committee of the Board of Directors meets regularly to determine that management, internal auditors and independent auditors are properly discharging their duties regarding internal control and financial reporting. The independent auditors, internal auditors and employees have full and free access to the Audit Committee at any time.

KPMG LLP, independent certified public accountants, are retained to audit the consolidated financial statements. Their report follows.



Joe R. Lee
Chairman of the Board and Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

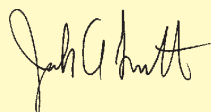
DARDEN RESTAURANTS

The Audit Committee of the Board of Directors is composed of six outside directors. Its primary function is to oversee the Company's system of internal controls, financial reporting practices and audits to ensure that their quality, integrity and objectivity are sufficient to protect stockholder assets.

The Audit Committee met three times during 2000 to review the overall audit scope, plans and results of the internal auditors and independent auditors, the Company's internal controls, emerging accounting issues, Year 2000 compliance, audit fees and intangible asset values. The Committee met separately with the independent auditors without management present to discuss the audit. Acting with the other Board members, the Committee reviewed the Company's annual audited financial statements and approved them before their

issuance. The Audit Committee recommended to the Board that KPMG LLP be reappointed for 2001, subject to the approval of stockholders at the annual meeting. The Committee also met with management to discuss and implement the recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees.

The Audit Committee is satisfied that the internal control system is adequate and that the stockholders of Darden Restaurants, Inc. are protected by appropriate accounting and auditing procedures.



Jack A. Smith

Chairman, Audit Committee

INDEPENDENT AUDITORS' REPORT

DARDEN RESTAURANTS

The Board of Directors and Stockholders Darden Restaurants, Inc.

We have audited the accompanying consolidated balance sheets of Darden Restaurants, Inc. and subsidiaries as of May 28, 2000 and May 30, 1999, and the related consolidated statements of earnings, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended May 28, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the

financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Darden Restaurants, Inc. and subsidiaries as of May 28, 2000, and May 30, 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended May 28, 2000, in conformity with accounting principles generally accepted in the United States of America.



Orlando, Florida

June 20, 2000,

except as to Note 18, which is as of July 13, 2000

CONSOLIDATED STATEMENTS OF EARNINGS

DARDEN RESTAURANTS

		Fiscal Year Ended	
	May 28, 2000	May 30, 1999	May 31, 1998
<i>(In thousands, except per share data)</i>			
Sales	\$3,701,256	\$3,458,107	\$3,287,017
Costs and Expenses:			
Cost of sales:			
Food and beverage	1,199,709	1,133,705	1,083,629
Restaurant labor	1,180,090	1,117,401	1,062,490
Restaurant expenses	521,159	493,811	482,311
Total Cost of Sales	\$2,900,958	\$2,744,917	\$2,628,430
Selling, general and administrative	379,470	360,909	358,542
Depreciation and amortization	130,464	125,327	126,289
Interest, net	22,388	19,540	20,084
Restructuring and asset impairment credit, net	(5,931)	(8,461)	
Total Costs and Expenses	\$3,427,349	\$3,242,232	\$3,133,345
Earnings before Income Taxes	273,907	215,875	153,672
Income Taxes	97,202	75,337	51,958
Net Earnings	\$ 176,705	\$ 140,538	\$ 101,714
Net Earnings per Share:			
Basic	\$ 1.38	\$ 1.02	\$ 0.69
Diluted	\$ 1.34	\$ 0.99	\$ 0.67
Average Number of Common Shares Outstanding:			
Basic	128,500	137,300	148,300
Diluted	131,900	141,400	151,400

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

DARDEN RESTAURANTS

<i>(In thousands)</i>	May 28, 2000	May 30, 1999
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 26,102	\$ 40,960
Receivables	27,962	20,256
Inventories	142,187	140,702
Net assets held for disposal	19,614	35,269
Prepaid expenses and other current assets	26,525	21,475
Deferred income taxes	48,070	65,662
Total Current Assets	\$ 290,460	\$ 324,324
Land, Buildings and Equipment	1,578,541	1,461,535
Other Assets	102,422	104,388
Total Assets	\$1,971,423	\$1,890,247
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 140,487	\$ 144,725
Short-term debt	115,000	23,500
Current portion of long-term debt	2,513	2,386
Accrued payroll	77,805	74,265
Accrued income taxes	33,256	16,544
Other accrued taxes	25,524	25,965
Other current liabilities	212,302	231,417
Total Current Liabilities	\$ 606,887	\$ 518,802
Long-term Debt	304,073	314,065
Deferred Income Taxes	79,102	72,086
Other Liabilities	20,891	21,258
Total Liabilities	\$1,010,953	\$ 926,211
Stockholders' Equity:		
Common stock and surplus, no par value. Authorized 500,000 shares; issued 165,977 and 164,661 shares, respectively; outstanding 122,192 and 132,120 shares, respectively	\$1,351,707	\$1,328,796
Preferred stock, no par value. Authorized 25,000 shares; none issued and outstanding		
Retained earnings	344,579	178,008
Treasury stock, 43,785 and 32,541 shares, at cost	(666,837)	(466,902)
Accumulated other comprehensive income	(12,457)	(12,115)
Unearned compensation	(56,522)	(63,751)
Total Stockholders' Equity	\$ 960,470	\$ 964,036
Total Liabilities and Stockholders' Equity	\$1,971,423	\$1,890,247

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

DARDEN RESTAURANTS

<i>(In thousands, except per share data)</i>	Common Stock and Surplus	Retained Earnings (Accumulated Deficit)	Treasury Stock	Accumulated Other Comprehensive Income	Unearned Compensation	Total Stockholders' Equity
Balance at May 25, 1997	\$1,268,656	\$(41,706)	\$ (69,184)	\$(10,037)	\$(66,516)	\$1,081,213
Comprehensive income:						
Net earnings		101,714				101,714
Other comprehensive income, foreign currency adjustment				(1,712)		(1,712)
Total comprehensive income						100,002
Cash dividends declared (\$0.08 per share)		(11,681)				(11,681)
Stock option exercises (1,464 shares)	10,606					10,606
Issuance of restricted stock (238 shares), net of forfeiture adjustments	1,384				(1,404)	(20)
Earned compensation					2,172	2,172
ESOP note receivable repayments					2,700	2,700
Income tax benefit credited to equity	3,808					3,808
Proceeds from issuance of equity put options	1,737					1,737
Purchases of common stock for treasury (13,483 shares)			(170,692)			(170,692)
Balance at May 31, 1998	1,286,191	48,327	(239,876)	(11,749)	(63,048)	1,019,845
Comprehensive income:						
Net earnings		140,538				140,538
Other comprehensive income, foreign currency adjustment				(366)		(366)
Total comprehensive income						140,172
Cash dividends declared (\$0.08 per share)		(10,857)				(10,857)
Stock option exercises (2,789 shares)	25,437					25,437
Issuance of restricted stock (370 shares), net of forfeiture adjustments	4,873				(4,844)	29
Earned compensation					2,341	2,341
ESOP note receivable repayments					1,800	1,800
Income tax benefit credited to equity	9,722					9,722
Proceeds from issuance of equity put options	2,184					2,184
Purchases of common stock for treasury (12,162 shares)			(227,510)			(227,510)
Issuance of treasury stock under Employee Stock Purchase Plan (55 shares)	389		484			873
Balance at May 30, 1999	1,328,796	178,008	(466,902)	(12,115)	(63,751)	964,036
Comprehensive income:						
Net earnings		176,705				176,705
Other comprehensive income, foreign currency adjustment				(342)		(342)
Total comprehensive income						176,363
Cash dividends declared (\$0.08 per share)		(10,134)				(10,134)
Stock option exercises (1,153 shares)	10,212					10,212
Issuance of restricted stock (163 shares), net of forfeiture adjustments	3,638				(3,685)	(47)
Earned compensation					3,314	3,314
ESOP note receivable repayments					7,600	7,600
Income tax benefit credited to equity	5,506					5,506
Proceeds from issuance of equity put options	1,814					1,814
Purchases of common stock for treasury (11,487 shares)			(202,105)			(202,105)
Issuance of treasury stock under Employee Stock Purchase Plan (243 shares)	1,741		2,170			3,911
Balance at May 28, 2000	\$1,351,707	\$344,579	\$(666,837)	\$(12,457)	\$(56,522)	\$ 960,470

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DARDEN RESTAURANTS

<i>(In thousands)</i>	May 28, 2000	Fiscal Year Ended	
		May 30, 1999	May 31, 1998
Cash Flows – Operating Activities			
Net Earnings	\$ 176,705	\$ 140,538	\$ 101,714
Adjustments to reconcile net earnings to cash flow:			
Depreciation and amortization	130,464	125,327	126,289
Amortization of unearned compensation and loan costs	5,895	4,879	4,682
Change in current assets and liabilities	2,472	70,924	(6,791)
Change in other liabilities	(371)	2,682	(48)
(Gain) loss on disposal of land, buildings and equipment	2,683	(1,798)	3,132
Deferred income taxes	24,609	13,967	6,496
Non-cash restructuring and asset impairment credit, net	(5,931)	(8,461)	
Other, net	594	162	651
Net Cash Provided by Operating Activities	\$ 337,120	\$ 348,220	\$ 236,125
Cash Flows – Investing Activities			
Purchases of land, buildings and equipment	(268,946)	(123,673)	(112,168)
Purchases of intangibles	(2,431)	(2,203)	(1,798)
(Increase) decrease in other assets	611	(8,794)	(4,112)
Proceeds from disposal of land, buildings and equipment (including net assets held for disposal)	20,998	38,134	24,494
Net Cash Used by Investing Activities	\$(249,768)	\$ (96,536)	\$ (93,584)
Cash Flows – Financing Activities			
Proceeds from issuance of common stock	13,944	26,310	10,606
Income tax benefit credited to equity	5,506	9,722	3,808
Dividends paid	(10,134)	(10,857)	(11,681)
Purchases of treasury stock	(202,105)	(227,510)	(170,692)
ESOP note receivable repayments	7,600	1,800	2,700
Increase (decrease) in short-term debt	91,500	(51,600)	31,700
Proceeds from issuance of long-term debt		9,848	
Repayment of long-term debt	(9,986)	(4,126)	(2,704)
Payment of loan costs	(349)		
Proceeds from issuance of equity put options	1,814	2,184	1,737
Net Cash Used by Financing Activities	\$(102,210)	\$(244,229)	\$(134,526)
Increase (Decrease) in Cash and Cash Equivalents	(14,858)	7,455	8,015
Cash and Cash Equivalents – Beginning of Year	40,960	33,505	25,490
Cash and Cash Equivalents – End of Year	\$ 26,102	\$ 40,960	\$ 33,505
Cash Flow from Changes in Current Assets and Liabilities			
Receivables	(7,706)	7,056	(10,979)
Refundable income taxes, net			16,968
Inventories	(1,485)	41,697	(50,158)
Prepaid expenses and other current assets	(4,184)	(1,310)	1,236
Accounts payable	(4,238)	11,787	19,851
Accrued payroll	3,540	1,025	14,928
Accrued income taxes	16,712	15,477	1,067
Other accrued taxes	(441)	1,793	1,992
Other current liabilities	274	(6,601)	(1,696)
Change in Current Assets and Liabilities	\$ 2,472	\$ 70,924	\$ (6,791)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DARDEN RESTAURANTS

(Dollar amounts in thousands, except per share data)

Note 1

Summary of Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION

The accompanying 2000, 1999 and 1998 consolidated financial statements include the operations of Darden Restaurants, Inc. and its wholly owned subsidiaries (Darden or the Company). All significant intercompany balances and transactions have been eliminated in consolidation.

FISCAL YEAR

Darden's fiscal year ends on the last Sunday in May. Fiscal years 2000 and 1999 each consisted of 52 weeks. Fiscal year 1998 consisted of 53 weeks.

INVENTORIES

Inventories are valued at the lower of weighted average cost or market.

LAND, BUILDINGS AND EQUIPMENT

All land, buildings and equipment are recorded at cost. Building components are depreciated over estimated useful lives ranging from seven to 40 years using the straight-line method. Equipment is depreciated over estimated useful lives ranging from three to ten years also using the straight-line method. Accelerated depreciation methods are generally used for income tax purposes.

INTANGIBLE ASSETS

The cost of intangible assets at May 28, 2000 and May 30, 1999 amounted to \$16,412 and \$14,851, respectively. Intangibles are being amortized using the straight-line method over their estimated useful lives ranging from five to 40 years. Costs capitalized principally represent software development costs and the purchase costs of leases with favorable rent terms. Accumulated amortization on intangible assets as of May 28, 2000 and May 30, 1999 amounted to \$5,201 and \$4,347, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

Restaurant sites and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Restaurant sites and certain identifiable intangibles to be disposed of are reported at the lower of their carrying amount or fair value, less estimated costs to sell.

LIQUOR LICENSES

The costs of obtaining non-transferable liquor licenses that are directly issued by local government agencies for nominal fees are expensed in the year incurred. The costs of purchasing transferable liquor licenses through open markets in jurisdictions with a limited number of authorized liquor licenses for fees in excess of nominal amounts are capitalized. If there is permanent impairment in the value of a liquor license due to market changes, the asset is written down to its net realizable value. Annual liquor license renewal fees are expensed.

FOREIGN CURRENCY TRANSLATION

The Canadian dollar is the functional currency for Darden's Canadian restaurant operations. Assets and liabilities denominated in Canadian dollars are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates prevailing throughout the period. Translation gains and losses are reported as a separate component of accumulated other comprehensive income in stockholders' equity. Gains and losses from foreign currency transactions are included in the consolidated statements of earnings for each period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DARDEN RESTAURANTS

PRE-OPENING COSTS

Non-capital expenditures associated with opening new restaurants are expensed as incurred.

ADVERTISING

Production costs of commercials and programming are charged to operations in the year the advertising is first aired. The costs of other advertising, promotion and marketing programs are charged to operations in the year incurred. Advertising expense was \$181,959, \$180,563 and \$186,261, in 2000, 1999 and 1998, respectively.

INCOME TAXES

The Company provides for federal and state income taxes currently payable as well as for those deferred because of temporary differences between reporting income and expenses for financial statement purposes versus tax purposes. Federal income tax credits are recorded as a reduction of income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

STATEMENTS OF CASH FLOWS

For purposes of the consolidated statements of cash flows, amounts receivable from credit card companies and investments purchased with a maturity of three months or less are considered cash equivalents.

NET EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other

contracts to issue common stock were exercised or converted into common stock. Outstanding stock options issued by the Company represent the only dilutive effect reflected in diluted weighted average shares.

Options to purchase 3,586,200, 120,200 and 868,300 shares of common stock were excluded from the calculation of diluted earnings per share for the years ended May 28, 2000, May 30, 1999, and May 31, 1998, respectively, because their exercise prices exceeded the average market price of common shares for the period.

DERIVATIVE FINANCIAL AND COMMODITY INSTRUMENTS

The Company may, from time to time, use financial and commodities derivatives in the management of interest rate and commodities pricing risks that are inherent in its business operations. The Company may also use financial derivatives as part of its stock repurchase program as described in Note 10. Such instruments are not held or issued for trading or speculative purposes. The Company may, from time to time, use interest rate swap and cap agreements in the management of interest rate exposure. The interest rate differential to be paid or received is normally accrued as interest rates change and is recognized as a component of interest expense over the life of the agreements. If an agreement is terminated prior to the maturity date and is characterized as a hedge, any accrued rate differential would be deferred and recognized as interest expense over the life of the hedged item. The Company uses commodities hedging instruments, including forwards, futures and options, to reduce the risk of price fluctuations related to future raw materials requirements for commodities such as coffee, soybean oil and shrimp. The terms of such instruments generally do not exceed 12 months and depend on the commodity and other market factors. Deferred gains and losses are subsequently recorded as cost of products sold in the consolidated statements of earnings when the inventory is sold. If the inventory is not acquired and the hedge is disposed of, the deferred gain or loss is recognized immediately in

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DARDEN RESTAURANTS

cost of products sold. The Company believes that it does not have material risk from any of the above financial instruments, and the Company does not anticipate any material losses from the use of such instruments.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

STOCK-BASED COMPENSATION

Statement of Financial Accounting Standards No. 123 (SFAS 123), *Accounting for Stock-Based Compensation*, encourages the use of a fair-value method of accounting for stock-based awards under which the fair value of stock options is determined on the date of grant and expensed over the vesting period. As allowed by SFAS 123, the Company has elected to account for its stock-based compensation plans under the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees*. Under APB 25, compensation expense is recorded on the date of grant if the current market price of the underlying stock exceeds the exercise price. The Company has adopted the disclosure requirements of SFAS 123.

COMPREHENSIVE INCOME

Comprehensive income includes net earnings and other comprehensive income items that are excluded from net earnings under generally accepted accounting principles such as foreign currency translation adjustments and unrealized gains and losses on investments. The Company's only item of other comprehensive income is foreign currency translation adjustments which have been reported separately within stockholders' equity.

OPERATING SEGMENT

As of May 28, 2000, the Company operated 1,139 *Red Lobster*, *Olive Garden*, *Bahama Breeze* and *Smokey Bones* restaurants in North America as part of a single operating segment. The restaurants operate principally in the United States within the casual dining industry, providing similar products to similar customers. The restaurants also possess similar pricing structures resulting in similar long-term expected financial performance characteristics. Revenues from external customers are derived principally from food and beverage sales. The Company does not rely on any major customers as a source of revenue.

RECLASSIFICATIONS

Certain reclassifications have been made to prior year amounts to conform with current year presentation.

FUTURE APPLICATION OF ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at fair value. Gains or losses resulting from changes in the fair values of those derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. The ineffective portion of all hedges will be recognized in earnings. In June 1999, the FASB issued SFAS 137, which deferred the effective date of adoption of SFAS 133 for one year. The Company will adopt SFAS 133 in the first quarter of fiscal 2002. Adoption of SFAS 133 is not expected to materially impact the Company's consolidated financial position, results of operations or cash flows.

Note 2 Accounts Receivable

Darden contracts with national storage and distribution companies to provide services that are billed to Darden on a per-case basis. In connection with these services,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DARDEN RESTAURANTS

certain Darden inventory items are sold to these companies at a predetermined price when they are shipped to their storage facilities. These items are repurchased at the same price by Darden when the inventory is subsequently delivered to Company restaurants. These transactions do not impact the consolidated statements of earnings. Receivables from national distribution companies amounted to \$24,692 and \$12,022 at May 28, 2000, and May 30, 1999, respectively.

Note 3 Restructuring and Asset Impairment Credit, Net

Darden recorded asset impairment charges of \$2,629 and \$158,987 in 2000 and 1997, respectively, representing the difference between fair value and carrying value of impaired assets. The asset impairment charges relate to low-performing restaurant properties and other long-lived assets, including restaurants that have been closed. Fair value is generally determined based on appraisals or sales prices of comparable properties. In connection with the closing of certain restaurant properties, the Company recorded other restructuring expenses of \$70,900 in 1997. The related liabilities are included in other current liabilities in the accompanying consolidated balance sheets and were established to accrue for estimated carrying costs of buildings and equipment prior to disposal, employee severance costs, lease buy-out provisions and other costs associated with the restructuring action. All restaurant closings under this restructuring action have been completed. The remaining restructuring actions, including disposal of the closed owned properties and the lease buy-outs related to the closed leased properties, are expected to be substantially completed during 2001.

During 2000 and 1999, the Company reversed portions of its 1997 restructuring liability totaling \$8,560 and \$8,461, respectively. The reversals primarily resulted from favorable lease terminations in 2000 and the Company's decision in 1999 to close fewer restaurants than identified for closure as part of the restructuring

action. No restructuring or asset impairment expense or credit was charged to operating results during 1998.

The components of the restructuring and asset impairment credit, net and the after-tax and earnings per share effects of these items for 2000 and 1999 are as follows:

	Fiscal Year	
	2000	1999
Carrying costs of buildings and equipment prior to disposal and employee severance costs	\$	\$(3,907)
Lease buy-out provisions	(8,560)	(4,554)
Subtotal	(8,560)	(8,461)
Impairment of restaurant properties	2,629	
Total restructuring and asset impairment credit, net	(5,931)	(8,461)
Less related income tax effect	2,308	3,236
Restructuring and asset impairment credit, net, net of income taxes	(3,623)	\$(5,225)
Earnings per share effect – basic and diluted	\$ (0.03)	\$ (0.04)

As of May 28, 2000, approximately \$39,800 of carrying, employee severance and lease buy-out costs associated with the 1997 restructuring had been paid and charged against the restructuring liability.

A summary of restructuring liability activity for 2000 is as follows:

Balance at May 30, 1999	\$ 37,139
Non-cash Adjustments:	
Restructuring credit	(8,560)
Reclassification of asset impairment (described below)	(12,000)
Cash Payments:	
Carrying costs and employee severance payments	(2,744)
Lease payments including lease buy-outs	(5,271)
Balance at May 28, 2000	\$ 8,564

Asset impairment charges of \$12,000 included in the May 30, 1999 restructuring liability have been reclassified to reduce the carrying value of land for all periods presented. This reclassification related to asset impairment charges recorded in 1997 for long-lived assets associated with Canadian restaurants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DARDEN RESTAURANTS

Note 4 Income Taxes

The components of earnings before income taxes and the provision for income taxes thereon are as follows:

	2000	Fiscal Year 1999	1998
Earnings before income taxes:			
U.S.	\$269,802	\$212,585	\$149,096
Canada	4,105	3,290	4,576
Earnings before income taxes	\$273,907	\$215,875	\$153,672
Income taxes:			
Current:			
Federal	\$ 61,528	\$ 53,621	\$ 38,730
State and local	10,861	7,577	6,349
Canada	204	172	383
Total current	72,593	61,370	45,462
Deferred (principally U.S.)	24,609	13,967	6,496
Total income taxes	\$ 97,202	\$ 75,337	\$ 51,958

During 2000, 1999 and 1998, Darden paid income taxes of \$53,688, \$34,790 and \$24,630, respectively.

The following table is a reconciliation of the U.S. statutory income tax rate to the effective income tax rate included in the accompanying consolidated statements of earnings:

	2000	Fiscal Year 1999	1998
U.S. statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal tax benefits	3.3	3.3	3.3
Benefit of federal income tax credits	(3.9)	(4.5)	(5.8)
Other, net	1.1	1.1	1.3
Effective income tax rate	35.5%	34.9%	33.8%

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are as follows:

	May 28, 2000	May 30, 1999
Accrued liabilities	\$ 16,010	\$ 14,042
Compensation and employee benefits	48,310	43,784
Asset disposition and restructuring liabilities	7,616	24,701
Operating loss and tax credit carryforwards		1,900
Net assets held for disposal	1,837	1,339
Other	2,036	1,989
Gross deferred tax assets	75,809	87,755
Buildings and equipment	(64,071)	(58,026)
Prepaid pension asset	(16,406)	(15,779)
Prepaid interest	(4,161)	(4,379)
Deferred rent and interest income	(14,560)	(10,194)
Intangibles	(4,497)	(2,989)
Other	(3,146)	(2,812)
Gross deferred tax liabilities	(106,841)	(94,179)
Net deferred tax liabilities	\$ (31,032)	\$ (6,424)

A valuation allowance for deferred tax assets is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Realization is dependent upon the generation of future taxable income or the reversal of deferred tax liabilities during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. As of May 28, 2000 and May 30, 1999, no valuation allowance has been recognized in the accompanying consolidated financial statements for the deferred tax assets because the Company believes that sufficient projected future taxable income will be generated to fully utilize the benefits of these deductible amounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DARDEN RESTAURANTS

Note 5 Land, Buildings and Equipment

The components of land, buildings and equipment are as follows:

	May 28, 2000	May 30, 1999
Land	\$ 409,069	\$ 387,050
Buildings	1,425,557	1,344,625
Equipment	680,178	647,687
Construction in progress	75,027	38,859
Total land, buildings and equipment	2,589,831	2,418,221
Less accumulated depreciation	(1,011,290)	(956,686)
Net land, buildings and equipment	\$1,578,541	\$1,461,535

Note 6 Other Assets

The components of other assets are as follows:

	May 28, 2000	May 30, 1999
Prepaid pension	\$ 42,893	\$ 41,253
Prepaid interest and loan costs	20,312	22,391
Liquor licenses	17,599	17,657
Intangible assets	11,211	10,504
Prepaid equipment maintenance	4,103	6,565
Miscellaneous	6,304	6,018
Total other assets	\$102,422	\$104,388

Note 7 Short-term Debt

Short-term debt at May 28, 2000 and May 30, 1999, consisted of \$115,000 and \$23,500 of unsecured commercial paper borrowings with original maturities of one month or less, and interest rates ranging from 6.36 percent to 6.75 percent and 5.05 percent to 5.80 percent, respectively.

Note 8 Long-term Debt

The components of long-term debt are as follows:

	May 28, 2000	May 30, 1999
10-year notes and 20-year debentures as described below	\$250,000	\$250,000
ESOP loan with variable rate of interest (6.87 percent at May 28, 2000), due December 31, 2018	52,600	60,200
Other	5,160	7,546
Total long-term debt	307,760	317,746
Less issuance discount	(1,174)	(1,295)
Total long-term debt less issuance discount	306,586	316,451
Less current portion	(2,513)	(2,386)
Long-term debt, excluding current portion	\$304,073	\$314,065

In January 1996, the Company issued \$150,000 of unsecured 6.375 percent notes due in February 2006 and \$100,000 of unsecured 7.125 percent debentures due in February 2016. The proceeds from the issuance were used to refinance commercial paper borrowings. Concurrent with the issuance of the notes and debentures, the Company terminated, and settled for cash, interest-rate swap agreements with notional amounts totaling \$200,000, which hedged the movement of interest rates prior to the issuance of the notes and debentures. The cash paid in terminating the interest-rate swap agreements is being amortized to interest expense over the life of the notes and debentures. The effective annual interest rate is 7.57 percent for the notes and 7.82 percent for the debentures, after consideration of loan costs, issuance discounts and interest-rate swap termination costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DARDEN RESTAURANTS

The Company also maintains a revolving loan agreement expiring October 29, 2004, with a consortium of banks under which the Company can borrow up to \$300,000. The loan agreement allows the Company to borrow at interest rates that vary based on the prime rate, LIBOR or a competitively bid rate among the members of the lender consortium, at the option of the Company. The loan agreement is available to support our commercial paper borrowing arrangements, if necessary. The Company is required to pay a facility fee of 15 basis points per annum on the average daily amount of loan commitments by the consortium. The amount of interest and the annual facility fee are subject to change based on the Company's achievement of certain financial ratios and debt ratings. Advances under the loan agreement are unsecured. At May 28, 2000, and May 30, 1999, no borrowings were outstanding under this agreement.

The aggregate maturities of long-term debt for each of the five years subsequent to May 28, 2000 and thereafter are \$2,513 in 2001, \$2,647 in 2002, \$0 in 2003 through 2005, and \$302,600 thereafter.

Note 9 Financial Instruments

The Company has participated in the financial derivatives markets to manage its exposure to interest rate fluctuations. The Company had interest rate swaps with a notional amount of \$200,000 which it used to convert variable rates on its long-term debt to fixed rates effective May 30, 1995. The Company received the one-month commercial paper interest rate and paid fixed-rate interest ranging from 7.51 percent to 7.89 percent. The interest rate swaps were settled during January 1996 at a cost to the Company of \$27,670. This cost is being recognized as an adjustment to interest expense over the term of the Company's 10-year notes and 20-year debentures (see Note 8).

The following methods were used in estimating fair value disclosures for significant financial instruments: Cash equivalents and short-term debt approximate

their carrying amount due to the short duration of those items. Long-term debt is based on quoted market prices or, if market prices are not available, the present value of the underlying cash flows discounted at the Company's incremental borrowing rates. The carrying amounts and fair values of the Company's significant financial instruments are as follows:

	May 28, 2000		May 30, 1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 26,102	\$ 26,102	\$ 40,960	\$ 40,960
Short-term debt	115,000	115,000	23,500	23,500
Total long-term debt	306,586	284,835	316,451	306,806

Note 10 Equity Put Options

As a part of its stock repurchase program, the Company issued equity put options that entitle the holder to sell shares of Company common stock to the Company, at a specified price, if the holder exercises the option. In 2000 the Company issued put options for 1,750,000 shares for \$1,814 in premiums. At May 28, 2000, put options for 250,000 shares were outstanding.

Note 11 Stockholders' Rights Plan

The Company has a stockholders' rights plan that entitles each holder of Company common stock to purchase one-hundredth of one share of Darden preferred stock for each common share owned at a purchase price of \$62.50 per share, subject to adjustment to prevent dilution. The rights are exercisable when, and are not transferable apart from the Company's common stock until, a person or group has acquired 20 percent or more, or makes a tender offer for 20 percent or more, of the Company's common stock. If the specified percentage of the Company's common stock is then acquired, each right will entitle the holder (other than the acquiring company) to receive, upon exercise, common stock of either the Company or the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DARDEN RESTAURANTS

acquiring company having a value equal to two times the exercise price of the right. The rights are redeemable by the Company's Board in certain circumstances and expire on May 24, 2005.

Note 12 Interest, Net

The components of interest, net are as follows:

		Fiscal Year	
	2000	1999	1998
Interest expense	\$24,999	\$21,015	\$21,527
Capitalized interest	(1,910)	(593)	(1,018)
Interest income	(701)	(882)	(425)
Interest, net	\$22,388	\$19,540	\$20,084

Capitalized interest was computed using the Company's borrowing rate. The Company paid \$19,834, \$16,356 and \$17,235 for interest (net of amount capitalized) in 2000, 1999 and 1998, respectively.

Note 13 Leases

An analysis of rent expense incurred under operating leases is as follows:

		Fiscal Year	
	2000	1999	1998
Restaurant minimum rent	\$38,818	\$38,866	\$39,140
Restaurant percentage rent	2,183	1,853	1,707
Restaurant equipment minimum rent	8,267	8,511	3,465
Restaurant rent averaging expense	(473)	13	(121)
Transportation equipment	1,946	1,856	2,169
Office equipment	1,090	1,012	990
Office space	597	505	436
Warehouse space	227	215	217
Total rent expense	\$52,655	\$52,831	\$48,003

Minimum rental obligations are accounted for on a straight-line basis over the term of the lease. Percentage rent expense is generally based on sales levels or changes in the Consumer Price Index. Most leases require payment of property taxes, insurance and maintenance costs in addition to the rent payments. The annual non-cancelable future lease commitments for each of the five years subsequent to May 28, 2000 and thereafter are: \$49,460 in 2001; \$45,948 in 2002; \$38,795 in 2003; \$27,519 in 2004; \$22,215 in 2005; and \$71,828 thereafter, for a cumulative total of \$255,765.

Note 14 Retirement Plans

Substantially all of the Company's employees are eligible to participate in a retirement plan. The Company's salaried employees are eligible to participate in a post-retirement benefit plan.

DEFINED BENEFIT PLANS AND POST-RETIREMENT BENEFIT PLAN

The Company sponsors defined benefit pension plans for salaried employees with various benefit formulas and a group of hourly employees with a frozen level of benefits. The Company also sponsors a contributory plan that provides health-care benefits to its salaried retirees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DARDEN RESTAURANTS

The following provides a reconciliation of the changes in the plan benefit obligation, fair value of plan assets, and the funded status of the plans as of February 29, 2000 and February 28, 1999:

	Defined Benefit Plans (1)		Post-retirement Benefit Plan	
	2000	1999	2000	1999
Change in Benefit Obligation:				
Benefit obligation at the beginning of period	\$ 83,205	\$ 75,398	\$ 5,718	\$ 5,823
Service cost	3,091	3,251	260	267
Interest cost	5,683	5,430	396	408
Participant contributions			89	
Benefits paid	(4,204)	(5,000)	(206)	(22)
Actuarial (gain) loss	(5,141)	4,126	(594)	(758)
Benefit obligation at the end of period	\$ 82,634	\$ 83,205	\$ 5,663	\$ 5,718
Change in Plan Assets:				
Fair value of plan assets at the beginning of period	\$102,550	\$105,010	\$	\$
Actual return on plan assets	17,495	2,489		
Employer contributions	31	51	117	22
Participant contributions			89	
Benefits paid	(4,204)	(5,000)	(206)	(22)
Fair value of plan assets at the end of period	\$115,872	\$102,550	\$	\$
Reconciliation of Funded Status of the Plan:				
Funded status at end of year	\$ 33,238	\$ 19,345	\$ (5,663)	\$ (5,718)
Unrecognized transition asset	(1,284)	(1,926)		
Unrecognized prior service cost	(2,305)	(2,761)	83	100
Unrecognized actuarial (gain) loss	10,843	24,509	(835)	(235)
Contributions for March to May	10		38	
Prepaid (accrued) benefit costs	\$ 40,502	\$ 39,167	\$ (6,377)	\$ (5,853)
Components of the Consolidated Balance Sheets:				
Prepaid benefit costs	\$ 42,893	\$ 41,253	\$	\$
Accrued benefit costs	(2,391)	(2,086)	(6,377)	(5,853)
Net asset (liability) recognized	\$ 40,502	\$ 39,167	\$ (6,377)	\$ (5,853)

(1) For plans with accumulated benefit obligations in excess of plan assets, the accumulated benefit obligation and plan assets were \$2,460 and zero, respectively, as of February 29, 2000, and \$2,086 and zero, respectively, as of February 28, 1999.

The following presents the weighted average assumptions used to determine the actuarial present value of the defined benefit plans and the post-retirement benefit plan obligations:

	Defined Benefit Plans		Post-retirement Benefit Plan	
	2000	1999	2000	1999
Discount rate	8.0%	7.0%	8.0%	7.0%
Expected long-term rate of return on plan assets	10.4%	10.4%	N/A	N/A
Rate of future compensation increases	4.5%	4.5%	N/A	N/A

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DARDEN RESTAURANTS

The assumed health care cost trend rate increase in the per-capita charges for benefits ranged from 5.0 to 6.5 percent for 2001, depending on the medical service category. The rates gradually decrease to a range of 4.6 to 5.5 percent for 2007 and remain at that level thereafter.

The assumed health care cost trend rate has a significant effect on amounts reported for retiree health

care plans. A one-percentage-point increase in the assumed health care cost trend rate would increase or decrease the total of the service and interest cost components of net periodic post-retirement benefit cost by \$140 and \$110, respectively, and would increase or decrease the accumulated post-retirement benefit obligation by \$1,091 and \$ 870, respectively.

Components of net periodic benefit cost (income) are as follows:

	Defined Benefit Plans			Post-retirement Benefit Plan		
	2000	1999	1998	2000	1999	1998
Service cost	\$ 3,091	\$ 3,251	\$ 2,576	\$260	\$267	\$225
Interest cost	5,509	5,243	4,699	396	408	375
Expected return on plan assets	(10,652)	(10,247)	(8,865)			
Amortization of unrecognized transition asset	(642)	(642)	(642)			
Amortization of unrecognized prior service cost	(456)	(456)	(456)	18	18	18
Recognized net actuarial loss	1,405	1,088	1,164			
Net periodic benefit cost (income)	\$ (1,745)	\$ (1,763)	\$(1,524)	\$674	\$693	\$618

DEFINED CONTRIBUTION PLAN

The Company has a defined contribution plan covering most employees age 21 and older with at least one year of service. The Company matches participant contributions up to six percent of compensation on the basis of Company performance with the match ranging from a minimum of \$0.25 up to \$1.00 for each dollar contributed by the participant. The plan had net assets of \$264,127 at May 28, 2000 and \$316,846 at May 30, 1999. Expense recognized in 2000, 1999, and 1998 was \$3,729, \$5,054, and \$3,038, respectively. Employees classified as "highly compensated" under the Internal Revenue Code are ineligible to participate in this plan. Amounts due to highly compensated employees under a separate, nonqualified deferred compensation plan totaled \$44,150 and \$32,471 as of May 28, 2000 and May 30, 1999, respectively.

The defined contribution plan includes an Employee Stock Ownership Plan (ESOP). This ESOP originally borrowed \$50,000 from third parties guaranteed by the Company and borrowed \$25,000 from the Company at a variable interest rate. The \$50,000 third party loan was refinanced in 1997 by a commercial bank's loan to the Company and a corresponding loan

from the Company to the ESOP. Compensation expense is recognized as contributions are accrued. Contributions to the plan, plus the dividends accumulated on the common stock held by the ESOP, are used to pay principal, interest and expenses of the plan. As loan payments are made, common stock is allocated to ESOP participants. In 2000, 1999 and 1998, the ESOP incurred interest expense of \$3,436, \$3,203 and \$3,882, respectively, and used dividends received of \$941, \$647 and \$1,339 and contributions received from the Company of \$9,385, \$4,368 and \$4,538, respectively, to pay principal and interest on its debt.

Company shares owned by the ESOP are included in average common shares outstanding for purposes of calculating net earnings per share. At May 28, 2000, the ESOP's debt to the Company had a balance of \$52,600 with a variable rate of interest of 6.87 percent; \$35,700 of the principal balance is due to be repaid no later than December 2007, with the remaining \$16,900 due to be repaid no later than December 2014. The number of Company common shares within the ESOP at May 28, 2000, approximates 10,916, representing 7,989 unreleased shares and 2,927 shares allocated to participants.

Note 15 Stock Plans

The Darden Restaurants, Inc. Amended and Restated Stock Option and Long-Term Incentive Plan of 1995 provides for the granting of stock options to key employees at a price equal to the fair market value of the shares at the date of the grant and are for terms not exceeding ten years. The plan has 22,200,000 shares of common stock authorized for issuance; 3,000,000 of these shares are authorized solely for issuance in connection with the granting of stock options in lieu of merit salary increases or other compensation or employee benefits. Such options vest at the discretion of the Compensation Committee. The plan also allows for grants of restricted stock and restricted stock units (RSUs) for up to 1,500,000 shares under the plan.

No individual may receive in excess of two percent of the total number of shares authorized under the plan in restricted stock or RSUs. Restricted stock and RSUs granted under the plan vest no sooner than one year from the date of grant. No individual may receive awards exceeding 300,000 shares in each of the last four fiscal years of the plan determined on a prospective and retroactive cumulative basis.

The Darden Restaurants Stock Plan for Non-Employee Directors provides for a one-time grant to each non-employee director of an option to purchase 12,500 shares of common stock and an additional option to purchase 3,000 shares of common stock upon election or re-election at a price equal to the fair market value of the shares at the date of grant. The plan also provides for an annual grant of 3,000 shares of restricted stock to each non-employee director, as well as additional options to purchase shares of common stock in lieu of retainer and meeting fees. The terms of these grants do not exceed ten years. Up to 250,000 shares of common stock may be issued under this plan and all options have an exercise price equal to the fair market value of the shares at the date of grant.

The Darden Restaurants Compensation Plan for Non-Employee Directors provides that non-employee directors may elect to receive their annual retainer and meeting fees in cash, deferred cash or shares of common stock. The common stock issuable under the plan shall have a fair market value equivalent to the value of the foregone retainer and meeting fees. Fifty thousand shares of common stock are authorized for issuance under the plan.

The per share weighted average fair value of stock options granted during 2000, 1999, and 1998 was \$6.47, \$10.21, and \$8.03, respectively. These amounts were determined using the Black-Scholes option pricing model which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, expected dividend payments, and the risk-free interest rate over the expected life of the option. The dividend yield was calculated by dividing the current annualized dividend by the option price for each grant. The expected volatility was determined considering stock prices for the fiscal year the grant occurred and prior fiscal years, as well as considering industry volatility data. The risk-free interest rate was the rate available on zero coupon U.S. government issues with a term equal to the remaining term for each grant. The expected life of the option was estimated based on the exercise history from previous grants.

The weighted average assumptions used in the Black-Scholes model were as follows:

Stock Options Granted in Fiscal Year			
	2000	1999	1998
Risk-free interest rate	6.50%	5.60%	6.25%
Expected volatility of stock	30.0%	30.0%	25.0%
Dividend yield	0.1%	0.1%	0.1%
Expected option life	6.0 years	6.0 years	5.0 years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DARDEN RESTAURANTS

The Company applies APB 25 in accounting for its stock option plans and, accordingly, no compensation cost has been recognized in the Company's consolidated financial statements for stock options granted under any of its stock plans. Had the Company determined compensation cost based on the fair value at the grant date for its stock options as prescribed under SFAS 123, the Company's net earnings and net earnings per share would have been reduced to the pro forma amounts indicated in the table at right:

		Fiscal Year	
	2000	1999	1998
Net earnings			
As reported	\$ 176,705	\$140,538	\$101,714
Pro forma	\$ 168,171	\$134,527	\$ 98,047
Basic net earnings per share			
As reported	\$ 1.38	\$ 1.02	\$ 0.69
Pro forma	\$ 1.31	\$ 0.98	\$ 0.66
Diluted net earnings per share			
As reported	\$ 1.34	\$ 0.99	\$ 0.67
Pro forma	\$ 1.27	\$ 0.95	\$ 0.65

Under SFAS 123, stock options granted prior to 1996 are not required to be included as compensation in determining pro forma net earnings. To determine pro forma net earnings, reported net earnings have been adjusted for compensation costs associated with stock options granted from 1996 forward that are expected to eventually vest.

Stock option activity during the periods indicated was as follows:

	Options Exercisable	Weighted Average Exercise Price Per Share	Options Outstanding	Weighted Average Exercise Price Per Share
Balance at May 25, 1997	6,832,479	\$ 8.81	16,061,293	\$10.00
Options granted			3,335,711	\$ 9.83
Options exercised			(1,463,788)	\$ 7.26
Options cancelled			(1,570,316)	\$10.48
Balance at May 31, 1998	6,286,678	\$ 9.55	16,362,900	\$10.16
Options granted			2,888,554	\$15.37
Options exercised			(2,789,237)	\$ 9.12
Options cancelled			(962,666)	\$ 9.36
Balance at May 30, 1999	5,883,774	\$10.53	15,499,551	\$11.35
Options granted			3,727,496	\$20.91
Options exercised			(1,152,922)	\$ 9.18
Options cancelled			(505,618)	\$13.07
Balance at May 28, 2000	6,712,259	\$ 10.68	17,568,507	\$ 13.47

The following table provides information regarding exercisable and outstanding options as of May 28, 2000:

Range of Exercise Price Per Share	Options Exercisable	Weighted Average Exercise Price Per Share	Options Outstanding	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)
\$ 5.00 - \$10.00	2,941,642	\$ 9.23	4,650,065	\$ 9.14	4.86
\$10.01 - \$15.00	3,512,600	\$ 11.42	6,520,456	\$11.30	4.49
\$15.01 - \$20.00	190,684	\$ 15.75	3,833,759	\$16.78	8.54
Over \$20.00	67,333	\$ 21.21	2,564,227	\$21.91	9.07
	6,712,259	\$ 10.68	17,568,507	\$13.47	6.14

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DARDEN RESTAURANTS

Note 16 Employee Stock Purchase Plan

Effective January 1, 1999, the Company adopted the Darden Restaurants Employee Stock Purchase Plan to provide eligible employees who have completed one year of service an opportunity to purchase shares of its common stock, subject to certain limitations. Under the plan, employees may elect to purchase shares at the lower of 85 percent of the fair market value of the Company's common stock as of the first or last trading days of each quarterly participation period. During 2000 and 1999, employees purchased shares of common stock under the plan totaling 243,000 and 55,000, respectively. An additional 1,157,000 shares are available for issuance as of May 28, 2000.

As the Company applies APB 25 in accounting for its Employee Stock Purchase Plan, no compensation cost has been recognized for shares issued under the plan. The impact of recognizing compensation expense for purchases made under the plan in 2000 in accordance with the fair value method specified in SFAS 123 is not significant to the Company's financial statement disclosures.

Note 19 Quarterly Data (Unaudited)

Summarized quarterly data for 2000 and 1999 are as follows:

Fiscal 2000 – Quarters Ended					
	Aug. 29	Nov. 28	Feb. 27	May 28	Total
Sales	\$929,391	\$848,231	\$917,505	\$1,006,129	\$3,701,256
Gross Profit	203,323	169,209	203,285	224,481	800,298
Earnings before Interest and Taxes	77,803	43,230	79,361	95,901	296,295
Earnings before Taxes	73,227	37,965	72,715	90,000	273,907
Net Earnings	47,313	24,454	46,892	58,046	176,705
Net Earnings per Share:					
Basic	\$ 0.36	\$ 0.19	\$ 0.37	\$ 0.47	\$ 1.38
Diluted	\$ 0.35	\$ 0.18	\$ 0.36	\$ 0.46	\$ 1.34
Fiscal 1999 – Quarters Ended					
	Aug. 30	Nov. 29	Feb. 28	May 30	Total
Sales	\$886,057	\$791,168	\$866,907	\$913,975	\$3,458,107
Gross Profit	175,105	147,111	182,510	208,464	713,190
Earnings before Interest and Taxes	59,306	29,443	62,939	83,727	235,415
Earnings before Taxes	53,871	24,657	58,517	78,830	215,875
Net Earnings	35,179	15,919	38,353	51,087	140,538
Net Earnings per Share:					
Basic	\$ 0.25	\$ 0.11	\$ 0.28	\$ 0.38	\$ 1.02
Diluted	\$ 0.24	\$ 0.11	\$ 0.27	\$ 0.37	\$ 0.99

Note 17 Commitments and Contingencies

The Company makes trade commitments in the course of its normal operations. As of May 28, 2000, the Company was contingently liable for approximately \$17,175 under outstanding letters of credit issued in connection with purchase commitments. As of May 28, 2000, the Company also has guaranteed approximately \$8,558 of third-party sub-lease obligations.

The Company is involved in litigation arising from the normal course of business. In the opinion of management, this litigation is not expected to materially impact the Company's consolidated financial position, results of operations or cash flows.

Note 18 Subsequent Event

On July 13, 2000, the Company filed a registration statement with the Securities and Exchange Commission. The purpose of the filing was to register \$500 million of debt securities using a shelf registration process. Under this process, the Company may offer, from time to time, up to \$500 million of debt securities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DARDEN RESTAURANTS

Five Year Financial Summary

(Dollar amounts in thousands, except per share data)

	Fiscal Year Ended				
Operating Results	May 28, 2000	May 30, 1999	May 31, 1998	May 25, 1997	May 26, 1996
Sales	\$3,701,256	\$3,458,107	\$3,287,017	\$3,171,810	\$3,191,779
Costs and Expenses:					
Cost of Sales:					
Food and beverage	1,199,709	1,133,705	1,083,629	1,077,316	1,062,624
Restaurant labor	1,180,090	1,117,401	1,062,490	1,017,315	954,886
Restaurant expenses	521,159	493,811	482,311	481,348	455,626
Total Cost of Sales	\$2,900,958	\$2,744,917	\$2,628,430	\$2,575,979	\$2,473,136
Restaurant Operating Profit	800,298	713,190	658,587	595,831	718,643
Selling, General and Administrative	379,470	360,909	358,542	361,263	373,920
Depreciation and Amortization	130,464	125,327	126,289	136,876	134,599
Interest, Net	22,388	19,540	20,084	22,291	21,406
Restructuring and asset impairment expense or (credit), net	(5,931)	(8,461)		229,887	75,000
Total Costs and Expenses	\$3,427,349	\$3,242,232	\$3,133,345	\$3,326,296	\$3,078,061
Earnings (Loss) before Income Taxes	273,907	215,875	153,672	(154,486)	113,718
Income Taxes	97,202	75,337	51,958	(63,457)	39,363
Net Earnings (Loss)	\$ 176,705	\$ 140,538	\$ 101,714	\$ (91,029)	\$ 74,355
Net Earnings (Loss) per Share:					
Basic	\$ 1.38	\$ 1.02	\$ 0.69	\$ (0.59)	\$ 0.47
Diluted	\$ 1.34	\$ 0.99	\$ 0.67	\$ (0.59)	\$ 0.46
Average Number of Common Shares Outstanding, Net of Shares Held in Treasury (in 000's):					
Basic	128,500	137,300	148,300	155,600	158,700
Diluted	131,900	141,400	151,400	155,600	161,300
Excluding Restructuring and Asset Impairment Expense or (Credit), Net					
Earnings	\$ 173,082	\$ 135,313	\$ 101,714	\$ 54,330	\$ 119,204
Earnings per Share:					
Basic	\$ 1.35	\$ 0.99	\$ 0.69	\$ 0.35	\$ 0.75
Diluted	\$ 1.31	\$ 0.96	\$ 0.67	\$ 0.35	\$ 0.74
Financial Position					
Total Assets	\$1,971,423	\$1,890,247	\$1,984,742	\$1,963,722	\$2,088,504
Land, Buildings and Equipment	1,578,541	1,461,535	1,490,348	1,533,272	1,702,861
Working Capital (Deficit)	(316,427)	(194,478)	(161,123)	(143,211)	(157,326)
Long-term Debt	306,586	316,451	310,608	313,192	301,205
Stockholders' Equity	960,470	964,036	1,019,845	1,081,213	1,222,637
Stockholders' Equity per Share	7.86	7.30	7.23	7.07	7.70
Other Statistics					
Cash Flow from Operations	\$ 337,120	\$ 348,220	\$ 236,125	\$ 189,203	\$ 294,032
Capital Expenditures	268,946	123,673	112,168	159,688	213,905
Dividends Paid	10,134	10,857	11,681	12,385	12,647
Dividends Paid per Share	0.08	0.08	0.08	0.08	0.08
Advertising Expense	\$ 181,959	\$ 180,563	\$ 186,261	\$ 204,321	\$ 239,526
Number of Employees	122,300	116,700	114,800	114,600	119,100
Number of Restaurants	1,139	1,139	1,151	1,182	1,217
Stock Price:					
High	\$ 22.813	\$ 23.375	\$ 18.125	\$ 12.125	\$ 14.000
Low	12.563	14.188	8.125	6.750	9.750
Close	18.875	21.313	15.438	8.250	11.750

CORPORATE RESPONSIBILITY

DARDEN RESTAURANTS

At Darden Restaurants, we are absolutely committed to taking a direct and active role in improving the quality of life wherever we do business. It's a hallmark of our heritage and culture and an indispensable part of achieving our mission to be the best casual dining company, now and for generations.

That's why we include this "Corporate Responsibility" report in the financial section of our Annual Report. We believe active community involvement is a business imperative. Being the best in the business includes being an outstanding corporate citizen and community leader.

Our philanthropic program is an extension of our employees' "hands-on" volunteerism, which is supported by the Darden Restaurants Foundation and the Darden Environmental Trust.

Working in partnership with community organizations throughout the country, we focus on four key areas of social need: 1) education, 2) social services and nutrition, 3) arts and culture and 4) preservation of natural resources. We support projects that promote diversity, respect, fairness and inclusiveness – we believe solving civic problems requires diverse viewpoints and the commitment and participation of *everyone* in the community.

Bill Darden, our late founder, believed that giving back to the community, as well as taking care of employees and guests, should be part of everything we do. That sense of corporate responsibility is stronger than ever at Darden Restaurants, and we want to share with you some key projects with which we're involved:

Investing in Community



On the set of the hit CBS series "Everybody Loves Raymond," cast members Doris Roberts, Ray Romano, Patricia Heaton, Brad Garrett and Peter Boyle kick off Olive Garden's Pasta for Pennies campaign, benefiting the Leukemia Society of America.

PASTA FOR PENNIES

Olive Garden's annual Pasta for Pennies program encourages school children all over the country to collect pennies for the Leukemia and Lymphoma Society of America. Classes that raise the most money receive a catered lunch from a neighborhood *Olive Garden* restaurant. Last year nearly 1,000,000 students in 1,600 schools helped raise more than \$3,000,000 to help leukemia patients and their families.

DRIVE AGAINST HUNGER

Through this innovative program, *Olive Garden* supports food banks around the United States. It's part of *Olive Garden's* sponsorship of Italy's Team Rafanelli, which competes in the American Le Mans Series motorsports racing championship. In cities where races are held, *Olive Garden* donates a refrigerated truck (for collecting and distributing fresh foods) and hundreds of pounds of food to a local food bank.



Olive Garden presents a 24-foot refrigerated truck to the Second Harvest Food Bank of Metrolina in Charlotte, NC, and children from the Walls Memorial Child Development Center.

YMCA

Through community Family Centers and program sites, the "Y" annually serves hundreds of thousands of men, women and children of all ages, abilities, races, income brackets and religions. The Darden Restaurants Foundation has concentrated its current support on the Pine Hills facility in the heart of a low-income Orlando-area neighborhood that desperately needs facilities and opportunities for children and adults. Our support has enabled the Pine Hills "Y" to expand and provide more comprehensive programs and tutoring that will help with the neighborhood's educational, physical and social needs.

CORPORATE RESPONSIBILITY

DARDEN RESTAURANTS

Supporting Kids

COPS & LOBSTERS

Every year, law enforcement officials in the United States and Canada “invade” hundreds of *Red Lobster* restaurants, not as part of a police action but to participate in this unique program that benefits the International Special Olympics. The officers serve as celebrity servers in the restaurants, explaining to guests what Special Olympics is all about and asking for donations. The fiscal 2000 program raised more than \$1.2 million for Special Olympics.



Police officers serve as celebrity servers at the College Station, Texas, *Red Lobster*, helping raise more than \$1.2 million for Special Olympics.

BOYS & GIRLS CLUBS

Bahama Breeze has made a commitment to supporting Boys & Girls Clubs wherever they do business, because the clubs benefit local kids, who represent the community's and the country's future. Before we open a *Bahama Breeze* in a new market, the restaurant hosts a \$5-per-person “practice run” for local residents and business people, donating the proceeds to the local Boys & Girls Club.

JUNIOR ACHIEVEMENT

Approaching its 40th anniversary, Junior Achievement continues to educate and inspire young people to understand and appreciate our free enterprise system and prepare them to join the workforce. JA's programs start at pre-K and run through high school and are funded entirely by local businesses and contributions from foundations like Darden's. Volunteers from the business community – including many Darden employees – use real-life examples, games and fun projects to teach students about the business world, global economics and practical skills like budgeting and the use and abuse of credit. Most important, the volunteers also serve as role models, giving the students a powerful demonstration of what they can achieve in life.



Darden Restaurants Junior Achievement Volunteer Al Green teaches business basics to an 8th grade class at Carver Middle School in Orlando.

FLORIDA CITRUS SPORTS FOUNDATION

This Central Florida foundation provides a summer day program for high-risk boys and girls ages 10-15, featuring sports, martial arts and other activities. There aren't a lot of services like this for kids in this age group, and the FCS Foundation program is particularly aimed at low-income children. The camp also brings in motivational speakers and others to inspire the kids to continue their education, and even provides computers so they can learn or improve their computer skills. Volunteers also provide medical exams and screenings.

Celebrating Diversity

NATIONAL CONFERENCE FOR COMMUNITY AND JUSTICE (NCCJ)

Darden was the national sponsor of the NCCJ Walk As One walk-a-thon for diversity, as part of the Darden Restaurants Foundation's three-year \$250,000 commitment to this important program that promotes racial harmony, understanding and justice. Thousands of young people participated in this year's walk-a-thon, held in 21 major communities around the nation.

COMMUNITY ALLIANCE PROJECT

Darden's Diversity Management Department continued our Community Alliance Project, through which we partner with local and national not-for-profit organizations like the Urban League, NAACP, NCCJ, and the African American, Asian American and Hispanic American Chambers of Commerce. The goal is to support diversity efforts, enhance national job recruitment opportunities and increase minority vendor partnerships.

CORPORATE RESPONSIBILITY

DARDEN RESTAURANTS

GREATER LOS ANGELES AFRICAN AMERICAN CHAMBER OF COMMERCE (GLAAACC)

Darden has supported the GLAAACC for years, sponsoring events, participating on boards and teaming up with local *Red Lobster* and *Olive Garden* restaurants for community fundraisers. In recognition of our contributions to the Southern California African American community and our national commitment to diversity through partnerships with numerous minority organizations, in April the Chamber named Darden Restaurants its Corporation of the Year for 2000.

ATLANTA URBAN LEAGUE SAT PREPARATION PROGRAM

Through our Diversity Management Department, Darden is helping support this Scholastic Aptitude Test (SAT) preparation program for high school youth in Atlanta to make it possible for more inner-city students to attend college. Since 1990 the program has provided instruction and guidance to more than 1,000 young people, preparing them not only to take the SAT, but also providing career counseling and parent involvement sessions. The program has helped many students raise their SAT scores as much as 100 points and helped them qualify for academic scholarships.

Protecting the Environment

We strongly believe in being responsible stewards of the planet's natural resources. Through the Darden Environmental Trust, the Darden Restaurants Foundation supports efforts to protect and preserve the environment, especially programs that improve and reclaim fragile ecosystems, preserve natural areas and habitats, and build awareness of the importance of environmental preservation and developing sustainable resources.

THE SEA TURTLE CONSERVATION PROJECT

Twenty years ago, the rare Kemp's Ridley sea turtle was near extinction. Today, thanks to the Sea Turtle Conservation Project in Rancho Nuevo on Mexico's Gulf Coast, the species is making a strong comeback, growing from 700 nests in 1985 to about 4,000 this year. Partially funded by the Darden Restaurants Foundation, the project has been working since the 1970s to protect Kemp's Ridley nesting sites along a 70-mile stretch of beach, where the female turtles come every year to lay their eggs.

NATURE CONSERVANCY

The Trust has contributed \$90,000 over two years to help fund the Nature Conservancy's Blowing Rocks Preserve project. The project has restored a large portion of the natural habitat on Jupiter Island in the Indian River Lagoon on Florida's east-central coast. In addition to the funding, volunteers from the *Red Lobster* in Stuart, Florida, have also personally contributed their time to help restore the preserve.

SCHOOL FOR FIELD STUDIES

The Darden Environmental Trust helps fund this marine research program in the Turks and Caicos islands in the Caribbean. Students from U.S. universities attend the school to research lobster habitats, looking into how pollution and other environmental factors are affecting our seafood supply and testing ways to boost lobster populations with artificial habitats called casitas. It's groundbreaking research that could help restore damaged marine ecosystems and improve the sustainability of lobster fisheries.



Student researchers at the School for Field Studies in the Turks and Caicos islands prepare to install an artificial lobster habitat. Grants from the Darden Environmental Trust help fund the project.

THE LOBSTER CONSERVANCY

The Darden Restaurants Foundation helps fund this lobster conservation project. The Lobster Conservancy's (TLC) mission is to help enhance and conserve the lobster industry through research and public awareness. TLC has conducted long-term monitoring in the Gulf of Maine for five years, identifying intertidal lobster nursery grounds. Protecting these nurseries is critical to the species' long-term sustainability. The data being collected by TLC scientists and volunteers could help gauge the health of the lobster population and provide a mechanism for detecting potential problems before they affect the lobster supply.

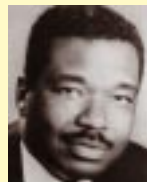
BOARD OF DIRECTORS

DARDEN RESTAURANTS



Bradley D. Blum
President, *Olive Garden* and
Executive Vice President,
Darden Restaurants, Inc.

Daniel B. Burke
President Emeritus
and Director,
Capital Cities/ABC, Inc.



Odie C. Donald
President, DirectTV

Julius Erving, II
Executive Vice President,
RDV Sports and
Vice President, Orlando Magic



Joe R. Lee
Chairman and
Chief Executive Officer,
Darden Restaurants, Inc.

Richard E. Rivera
President, *Red Lobster* and
Executive Vice President,
Darden Restaurants, Inc.



Michael D. Rose
Chairman,
Midaro Investments, Inc.

Hector de J. Ruiz, Ph.D.
President,
Chief Operating Officer,
Advanced Micro Devices



Maria A. Sastre
Vice President,
Total Guest Satisfaction
Services,
Royal Caribbean International

Jack A. Smith
Past Chairman of the Board,
The Sports Authority, Inc.



Blaine Sweatt, III
President,
New Business Development
and Executive Vice President,
Darden Restaurants, Inc.

Rita P. Wilson
President,
Allstate Indemnity Company



CORPORATE OFFICERS



Linda J. Dimopoulos
Senior Vice President,
Chief Information Officer

Gary L. Heckel
President,
Bahama Breeze

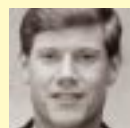


Steve Helsel
Senior Vice President,
Corporate Controller

Daniel M. Lyons
Senior Vice President,
Human Resources



Robert W. Mock
President,
Smokey Bones



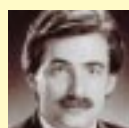
Barry Moullet
Senior Vice President,
Purchasing, Distribution and
Food Safety

Clarence Otis, Jr.
Senior Vice President,
Chief Financial Officer



Paula J. Shives
Senior Vice President,
General Counsel and Secretary

James D. Smith
Senior Vice President,
Real Estate, Design and
Construction



Richard J. Walsh
Senior Vice President,
Corporate Relations



SHAREHOLDER INFORMATION

DARDEN RESTAURANTS

Transfer Agent, Registrar and Dividend Payments

First Union National Bank
1525 West W.T. Harris Blvd., 3c3
Charlotte, NC 28288-1153
Phone: (800) 829-8432

Address correspondence as appropriate to the attention of:
Address Changes
Stock Transfers
Shareholder Services

Independent Auditors

KPMG LLP
111 North Orange Avenue
Suite 1600
Orlando, FL 32801
Phone: (407) 423-3426

Form 10-K Report

Company management believes that the financial statements in this Annual Report to Shareholders include all significant financial data required in annual reports filed on Form 10-K with the Securities and Exchange Commission.

Shareholders may request a free copy of the Company's Form 10-K and attached schedules by writing to Secretary, Darden Restaurants, Inc., P.O. Box 593330, Orlando, FL 32859-3330.

Shareholder Reports/Investor Inquiries

Shareholders seeking information about Darden Restaurants are invited to contact the Investor Relations Department at (800) 832-7336. Recorded summaries of quarterly earnings announcements and other Company news are available on the toll-free line. Shareholders may also request to receive, free of charge, copies of the quarterly earnings releases.

Information may also be obtained by visiting the Web site address at www.darden.com. Annual reports, SEC filings, press releases and other Company news are readily available on the Web site.

Darden Restaurants Foundation Annual Report

To receive a copy of the 2000 Darden Restaurants Foundation Annual Report, mail a request to the Foundation Administrator, Darden Restaurants, P.O. Box 593330, Orlando, FL 32859-3330.

Notice of Annual Meeting

The Annual Meeting of Shareholders will be held at 11 a.m. Eastern Daylight Time, Wednesday, September 20, 2000, at the Renaissance Orlando Resort Hotel, 6677 Sea Harbor Drive, Orlando, Florida.

Markets

New York Stock Exchange
Stock Exchange Symbol: DRI

Web Site Addresses

www.darden.com
www.redlobster.com
www.olivegarden.com
tuscany.olivegarden.com
www.bahamabreeze.com
www.smokeybones.com

Company Address

Darden Restaurants, Inc.
5900 Lake Ellenor Drive
Orlando, FL 32809
Phone: (407) 245-4000

Mailing Address

Darden Restaurants, Inc.
P.O. Box 593330
Orlando, FL 32859-3330

DARDEN RESTAURANTS

5900 Lake Ellenor Drive
Orlando, FL 32809
(407) 245-4000
www.darden.com

