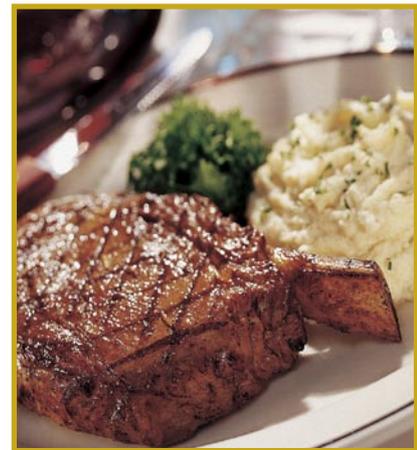
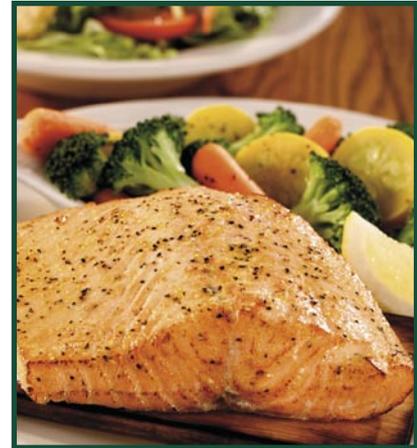




O'CHARLEY'S INC.

O'Charley's • Stoney River Legendary Steaks • Ninety Nine Restaurant

A Passion to Serve™



Financial Highlights

	Fiscal Years		
	2006	2005	Change
<i>(In thousands, except per share data)</i>			
For the Year			
Revenues	\$989,524	\$930,188	6.4%
Income from operations	\$ 40,485	\$ 28,446	42.3%
Earnings before cumulative effect of change in accounting principle	\$ 18,890	\$ 12,029	57.0%
Net earnings	\$ 18,890	\$ 11,878	59.0%
Diluted earnings per share	\$ 0.80	\$ 0.51	56.9%
Weighted average shares outstanding—diluted	23,588	23,096	3.3%
At Year End			
Total assets	\$686,512	\$687,610	(0.2%)
Long-term debt and capitalized lease obligations, net	\$154,357	\$185,683	(16.9%)
Total shareholders' equity	\$380,826	\$349,588	8.9%

Our Vision:

We are a relationship-based company with "A Passion to Serve™" our guests and each other. We will be the "Best of Class" in food and service in our segments of the restaurant industry.

Our Mission:

Together, we will achieve our vision by focusing on:

- Guests** Complete dedication to every guest who walks through the door to ensure that they are highly satisfied with their entire experience.
- Each Other** Commitment to living "A Passion to Serve™" daily. Providing the tools, education and opportunities for each team member's personal success.
- Stakeholders** Relentless pursuit of growth opportunities to maximize sales and profits.
- Community** Active involvement in building community relationships and making a positive difference.

Locations as of April 1, 2007

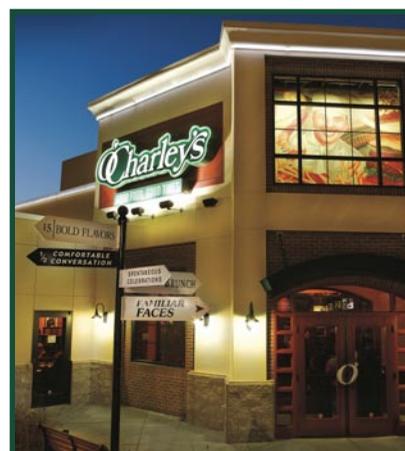
- O'Charley's (includes company-owned, franchised and joint venture locations)
- **Ninety Nine Restaurant**
- **Stoney River Legendary Steaks**



About Us

O'Charley's

O'Charley's is one of the leading casual-dining restaurant concepts in the Southeast and Midwest. The menu, with its emphasis on fresh preparation and compelling new flavor combinations, offers guests savory new fare that stands above and apart from that offered by O'Charley's competitors, as well as comfort-food favorites. New items such as Cedar-Planked Salmon, Whiskey Steak Sandwich, and California Chicken Salad, have become so popular, they top the list of O'Charley's best sellers alongside such long-time favorites as hand-cut and aged Louisiana Sirloin, Chicken O'Tenders, and Pecan Tender Salad. The fresh food, varied menu and neighborhood feel of O'Charley's restaurants make it not only a great choice for any occasion, but also, the favorite local place for one million guests a week.



Stoney River Legendary Steaks

Striking an inviting balance between upscale casual- and fine-dining, Stoney River occupies its own niche. It charms guests with a casually elegant dining experience, complete with aged, premium center-cut steaks, fine wines and exemplary service in a relaxing lodge-like setting. The concept grew to 10 restaurants last year, opening in both new (St. Louis) and existing (Nashville and Atlanta) markets. Its reputation for attentive service that's polished without being pretentious and inventive menu selections, including the Coffee-Cured Filet and Whiskey Shrimp on Country Toast, appeals to a broad cross-section of guests, ranging from business groups seeking comfortable, private-dining accommodations to couples celebrating anniversaries, all at less than special occasion prices.



Ninety Nine Restaurant

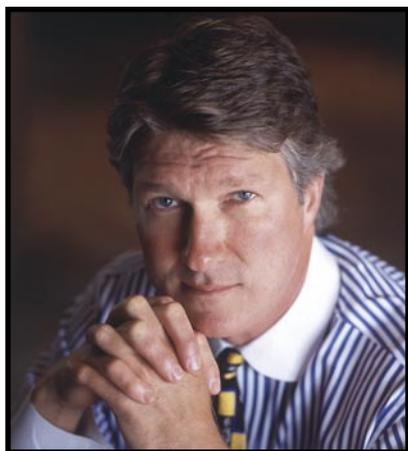
Serving more than 20 million guests a year, the Ninety Nine Restaurant is New England's leading casual-dining concept. Last year's expansion into New Jersey and Pennsylvania introduced the Ninety Nine's unparalleled levels of service and quality to a new and enthusiastic audience. Recent additions to the menu, including the Filet Mignon with Grilled Asparagus and Rosemary and Parmesan-Dusted French Fries, Sweet Southern Fried Chicken with Peach Chutney and Vegetable Pot Stickers represent the concept's desire to set new casual-dining standards by providing guests with flavorsome, appetizing menu options that reflect new culinary trends, while continuing to offer the irresistible traditional items, like Broiled Sirloin Tips and Boneless Buffalo Wings, on which Ninety Nine's reputation was built. Regardless of your taste preference, just as Ninety Nine's founder promised in 1952, you'll always come back for more.



Concept Highlights (at Year End)

	LOCATIONS	SALES	AVERAGE CHECK
O'Charley's	227	\$633.4 Million	\$ 12.04
Stoney River	10	\$ 33.5 Million	\$41.72
Ninety Nine	114	\$311.9 Million	\$ 14.08

To Our Shareholders, Team Members, Guests and Business Partners,



We made O'Charley's Inc. a stronger and better company in fiscal 2006 and, while we faced a challenging macro-economic environment last year, we made significant progress in our turnaround plans as evidenced by the improvement in our financial results:

- For fiscal 2006, revenue rose 6.4 percent to \$989.5 million. The 2006 fiscal year had 53 weeks, compared to 52 weeks in the prior fiscal year. The extra week occurred in the fourth quarter, and contributed \$21.2 million to fourth-quarter and fiscal 2006 revenue.
- Income from operations was \$40.5 million, or 4.1 percent of revenue, compared with \$28.4 million, or 3.1 percent of revenue, in the prior fiscal year.
- For the 2006 fiscal year, same-store sales declined 0.8 percent at O'Charley's company-operated restaurants, and increased 0.7 percent at *Ninety Nine Restaurant* and 4.0 percent at *Stoney River Legendary Steaks*. Average check per guest increased at all of our restaurant concepts.
- We reported full-year earnings of \$18.9 million, or \$0.80 per diluted share, compared with earnings of \$12.0 million, or \$0.52 per diluted share, in the prior year.

In our annual report for fiscal 2005, we outlined a clear strategy in which we set about to transform our company, improve our operating performance and enhance shareholder value. The balance of this letter will be devoted to bringing you up to date on the considerable progress we made in each of these areas over the course of the past fiscal year.

New Members Join Our "Winning Team"

Building a "winning team" by strengthening the management at all levels of our company is a key element of our strategy to transform O'Charley's Inc. During the past year, we added a number of highly experienced and successful members to our team. Jeff Warne became president of our flagship O'Charley's concept. He joined us from the Carlson Companies where he was president of Pick Up Stix and previously the chief operating officer of TGI Friday's International. Leon de Wet came on board as chief information officer. He joined us from Brinker International Inc. Larry Taylor, formerly of the Carlson Companies, was named to the newly-created position of chief supply chain officer. Dr. Steve McMillen was named vice president of human resources development and was previously with Hillenbrand Industries. Colin Daly was named to the position of senior corporate counsel, also a newly-created position at the company, and joined us from ARAMARK Corporation. Roland Ornelas, formerly of the Carlson Companies, was added as vice president of strategic sourcing. At Ninety Nine, Bob Hoffmeister was appointed regional vice president of operations and joined the company from Au Bon Pain. We also named Melissa Thompson vice president of corporate communications and she joined us from Interstate Hotels & Resorts, Inc.

With the addition of these highly capable executives, our entire management team has been virtually revamped as a result of a process that began nearly two years ago.

We are pleased to report that there is a winning attitude spreading throughout the company. Clearly, our company has benefited greatly from new ideas and strategies that our new team members have brought to O'Charley's Inc. These ideas have been embraced with enthusiasm by all of our team members and are positively impacting every aspect of our business, including our core leadership development, brand management and restaurant operations, as well as our support processes and systems.

In addition, we have instituted a new process to enhance screening, training and motivating our team members to achieve operational excellence and improve long-term performance. To truly build a winning team, we need to optimize the performance of every member of the team, and we are doing just that for it is our long-term vision and mission to become a best-of-class restaurant company.

Improving the "Box Economics"

We have been focused on improving what we call the "box economics." We define that as the relationship between the investment in our restaurants and the sales and related operating margin that those sales should produce. During the past fiscal year, we continued to see positive results from our efforts. Income from operations as a percentage of revenue increased versus the prior year. This was a result of the higher average check at all three brands, the continued efficiencies gained from our

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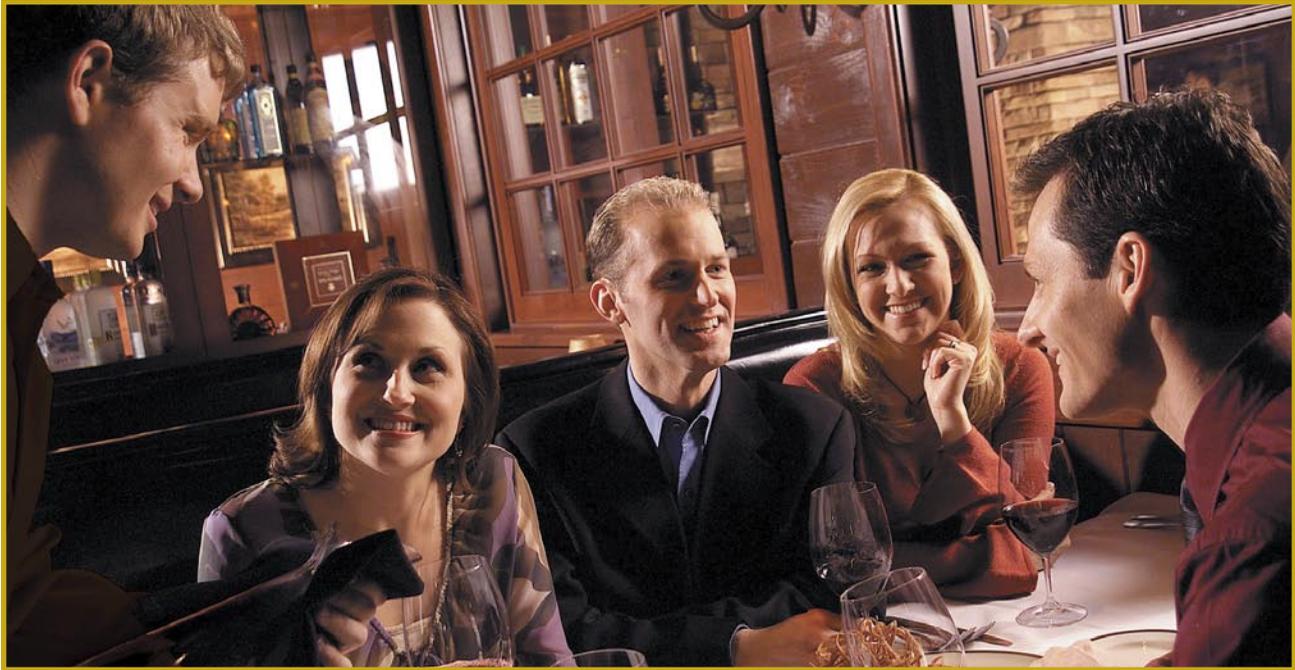
“Achieving high guest satisfaction is another high priority strategic focus. *A Passion to Serve™* is our corporate operating philosophy and a critical element in transforming O’Charley’s Inc. into a best-of-class company.”

theoretical food cost system, as well as reductions in employee benefit costs and continued improvements in labor management. We expect further cost savings through additional operational efficiencies and other initiatives we plan to put in place. In fact, to underscore the importance of this initiative, the cornerstone of our management team’s incentive plans for 2007 is based on improvements in sales, operating margins and guest satisfaction.

One aspect of improving the box economics is increasing the profitability of every guest we serve. At *O’Charley’s*, average check increased last year; however, guest counts declined. The decline in guest counts was not unexpected, and much of it reflects our decision to begin the gradual phase out of the *Kids Eat Free* offering and the significant scale back in the level of coupon and price promotions compared to prior years. While we lost some of our more price-sensitive customers at *O’Charley’s*, the resulting increase in average check contributed to our improved margins and demonstrated that the core *O’Charley’s* guest places considerable value on great food with unique flavor profiles and a higher level of service. Our decision to reduce the availability of *Kids Eat Free* was not one that we took lightly and was researched carefully. We reached the conclusion that *Kids Eat Free* was no longer consistent with the brand image for *O’Charley’s*, and our goal is to attract new customers through our unique menu offerings, attentive service and our brand promise to be our guests’ favorite local place. We expect to complete the phase out of *Kids Eat Free* by mid-2008.

While the consumer and competitive environment in New England continues to be challenging, *Ninety Nine* achieved positive same-store sales growth for the full fiscal year, which we believe is a testament to the strength of the concept and its management team. Much like we have done at *O’Charley’s*, we significantly reduced the level of couponing and price promotions at *Ninety Nine* compared to the prior year, which contributed to the increase in average check and the decline in guest counts.

We continue to be very pleased with *Stoney River’s* performance in terms of same-store sales and operational improvement and believe that that concept has established a unique position in the upscale steakhouse segment. Last year, we opened our new *Stoney River* in the Cumberland Mall area of Atlanta; this marks our first opening in a mall-based setting. The opening in the Cumberland Mall represents our third *Stoney River* in the Atlanta market and follows the opening of our successful St. Louis restaurant. Both of these restaurants have a new design and floor plan, and we are very pleased with their performance. We also opened a new *Stoney River* in the West End area of Nashville, the first *Stoney River* restaurant to serve lunch and we believe this offers a potential growth opportunity for the concept.



During the past year, we made considerable progress in our rebranding efforts, which consists of a two-pronged approach—the rebranding of our existing stores under *Project RevO'lution* and *Project Dressed to the Nines* initiatives and, secondly, the use of new prototype designs in our restaurant development efforts. We have now completed 11 *Project RevO'lution* rebrandings at *O'Charley's* and 15 *Dressed to the Nines* rebrandings at *Ninety Nine*. We have introduced new concept elements, including new uniforms, plateware, menu designs, curbside to-go service, kitchen display systems and new service standards. We have decided to proceed with 30 *Project Dressed to the Nines* rebrandings at *Ninety Nine* for 2007. We continue to be pleased with the performance of our rebranded *O'Charley's* restaurants, the first of which opened in September of last year; however, we continue to fine tune and test the model.

Towards the end of last year, we opened the first company-operated *O'Charley's* using our new prototype design in Mt. Juliet, Tennessee, a suburb of Nashville. The new prototype features new color schemes inside and out, new exterior signage and a number of interior changes designed to enhance the guest experience and improve operational efficiencies in both the dining room and kitchen. Prior to opening the Mt. Juliet restaurant, we opened this new prototype in our franchise restaurant in Niles, Ohio and later in our joint venture restaurant in Appleton, Wisconsin. Guest reaction at all three locations has been very positive. We recently opened additional *O'Charley's* restaurants featuring the new prototype in Carrollton, Georgia and Columbia, Tennessee. All of the planned new *O'Charley's* restaurants for 2007 will feature this new prototype design.

The first new *Ninety Nine* prototype restaurant is under construction and will open in early 2007. This new prototype is a culmination of considerable research and highlights the brand elements that attract new guests, stimulate repeat visits and

“We have been focused on improving what we call the ‘box economics.’ We define that as the relationship between the investment in our restaurants and the sales and related operating margin that those sales should produce.”

“Our primary goal is to build a truly great company positioned to deliver outstanding shareholder value.”

complement our focus on quality food and service. Many of the elements that will be featured in the new prototype came from our *Project Dressed to the Nines* initiative.

During the past year, we made the decision to slow the pace of our expansion efforts in order to concentrate on improving the profitability and performance of our existing restaurants. While we are pleased with our efforts to date, we are taking a cautious approach with our expansion program. For 2007, we plan to open four to six company-owned *O’Charley’s*, three to five *Ninety Nine* restaurants and one or two *Stoney River* restaurants. In terms of our franchising activities, we anticipate the opening of two or three *O’Charley’s* during 2007.

Supporting our three restaurant concepts is our Quality Product Center, which acquires, manufactures and distributes high-quality products for our restaurants. We continue to study various options for this operation, including a strategic restructuring, and I have been working very closely with Larry Taylor, our chief supply chain officer, to determine how this operation fits into our company’s future.

A Passion to Serve™

Achieving high guest satisfaction is another high-priority strategic focus. *A Passion to Serve™* is our corporate operating philosophy and a critical element in transforming *O’Charley’s* Inc. into a best-of-class company. In this very competitive marketplace, building guest loyalty by stimulating the intent to return has never been more important. Guest satisfaction is a critical index that we measure and is a key factor in our incentive bonus plan.



We continue to firmly believe that the best marketing takes place within the four walls. We remain focused on improving guest satisfaction through *A Passion to Serve™*, *Project RevO'lution*, *Project Dressed to the Nines*, as well as through refinements in our training and development programs. We are enhancing the quality of our food and beverages in our establishments, the quality of the restaurants and the efforts that our people make in providing our guests with a high-quality experience.

We also believe that we offer the consumer some of the best values in the marketplace. In addition to great values, we are constantly working on truly great menu items that are unique to our concepts. Our product development teams at all three concepts continue to deliver great tasting menu offerings that differentiate our restaurants from our competitors. For example, *O'Charley's* offers Louisiana Sirloin, Cedar-Planked Salmon and California Chicken Salad. At *Ninety Nine*, we launched Filet Mignon with Rosemary and Parmesan-Dusted Fries and Sweet Southern Fried Chicken with Peach Chutney and Garlic Red-Skin Mashed Potatoes.

Commitment to Delivering Shareholder Value

Our primary goal is to build a truly great company positioned to deliver outstanding shareholder value. Achieving this goal will require operational excellence, the delivery of unique food with exceptional service and strict attention to customer satisfaction.

Today, all of our concepts—*O'Charley's*, *Ninety Nine*, *Stoney River*—have clear and distinctive brand positions, unique menu offerings that distinguish our restaurants from the competition and improving controls of our product and labor costs, which are enhancing profitability.

While I am pleased with the progress we have made in the past year, the job is not done and our senior management team and operators continue to have a high sense of urgency and are focused on improving every aspect of our business.

We begin fiscal 2007 a stronger company and we are guided by a clear strategy, a strategy that is driven by a shared vision of becoming best-of-class. We are committed to both innovation and improvement. We are guided by a conservative fiscal policy and possess a valuable asset base. And, most importantly, we have the team in place to succeed.

We want to thank our employees, shareholders, and board of directors for their support and dedication this past year and for their continued contributions in the future.

Sincerely,



Gregory L. Burns
Chairman and Chief Executive Officer
O'Charley's Inc.

Board of Directors

Gregory L. Burns¹

Chairman of the Board and
Chief Executive Officer
O'Charley's Inc.

William F. Andrews²

Chairman
Corrections Corporation of America
An owner and operator of privatized
correctional and detention facilities

Dale W. Polley^{1, 2, 3}

Former President and Vice Chairman (Retired)
First American Corporation
A bank holding company

Richard Reiss, Jr.^{1, 4}

Chairman
Georgica Advisors, LLC
A private investment
management firm

G. Nicholas Spiva^{3, 4}

President
Spiva-Hill Investments
A commercial real estate
development company

John E. Stokely^{1, 2}

Business Consultant
Former Chairman, President and
Chief Executive Officer
Richfood Holdings, Inc.
A retail food chain and
wholesale grocery distributor

H. Steve Tidwell⁴

Chairman
SPFS, Inc.
A franchisee of Shoney's and
Captain D's restaurants

Robert J. Walker^{1, 3}

Partner
Walker, Tipps & Malone
A law firm

Shirley A. Zeitlin^{3, 4}

Chief Executive Officer
Shirley Zeitlin & Co. Realtors
A real estate
brokerage company

¹Executive Committee

²Audit Committee

³Nominating and Corporate
Governance Committee

⁴Compensation and Human Resources
Committee

O'Charley's Inc. and Concept Management Teams

O'Charley's Inc.

Gregory L. Burns

Chairman of the Board and
Chief Executive Officer

Lawrence E. Hyatt

Chief Financial Officer,
Secretary and Treasurer

Randall C. Harris

Chief Human Resources Officer

Leon M. de Wet

Chief Information Officer

Lawrence D. Taylor

Chief Supply Chain Officer

R. Jeffrey Williams

Chief Accounting Officer and
Corporate Controller

Carol L. Arrowood

Vice President of Corporate Human
Resources Operations

Colin M. Daly, Esq.

Senior Corporate Counsel

Edward C. "Zeb" Hastings

Vice President of Franchising

Stephen W. McMillen, Ed.D.

Vice President of
Human Resources Development

L. Roland Ornelas

Vice President of Strategic Sourcing

James K. Quackenbush

Vice President of Real Estate Development

Melissa R. Thompson

Vice President of Corporate Communications

Thomas R. Williams

Vice President of Distribution Services

O'Charley's

Jeffrey D. Warne

Concept President

Francis X. Biller

Vice President of Operations

Dawn T. Boulanger

Vice President of Marketing

Stephen M. Bulgarelli

Vice President of Culinary Development

Ahmad Subhi Almasri

Regional Vice President of Operations

Barry Fortner

Regional Vice President of Operations

Mike C. Molestina

Regional Vice President of Operations

Susan M. Osterberg

Regional Vice President of Operations

Guy W. Stanke

Regional Vice President of Operations

Ninety Nine Restaurant

John R. Grady

Concept President

Robert F. Luz

Vice President of Human Resources

Bradford L. Schiff

Vice President of Marketing

George T. Tagarelis

Vice President of R & D

Robert A. Hoffmeister

Regional Vice President of Operations

Charles O. Noyes

Regional Vice President of Operations

Stoney River Legendary Steaks

Anthony J. Halligan, III

Concept President

O'Charley's Inc. 2006 Awards

O'Charley's Operator of the Year
David Cox
 Operations Director
 East Tennessee

O'Charley's General Manager of the Year
Eric Woehl
 General Managing Partner
 Dayton, Ohio

O'Charley's Inc. Chairman's Award
Jean Lorton
 Executive Assistant to the CEO
 O'Charley's Inc.

O'Charley's Inc. Driver of the Year
Darwyn Norris
 Quality Product Center

Len Carpenter Operator of the Year Award**
David Weisberg
 Operations Director
 Greater Boston Area

Ninety Nine Restaurant of the Year
Ray Desmarais
 General Managing Partner
 Fall River, Massachusetts

Founder's Award
Len Carpenter**
 Vice President of Operations
 Ninety Nine Restaurant

Corporate Data

Restaurant Support Center

O'Charley's Inc.
 3038 Sidco Drive
 Nashville, Tennessee 37204
 (615) 256-8500

Transfer Agent

American Stock Transfer & Trust Company
 59 Maiden Lane
 New York, New York 10038
 (866) 668-6650

Independent Auditors

KPMG LLP
 Nashville, Tennessee

Form 10-K

The Form 10-K, including the financial statements for the fiscal year ended December 31, 2006, as well as other information about O'Charley's Inc., may be obtained without charge by writing to Lawrence E. Hyatt, Chief Financial Officer, Secretary and Treasurer, at the Company's home office.

Annual Meeting

9:00 a.m. CDT
 May 17, 2007
 O'Charley's Home Office
 3038 Sidco Drive
 Nashville, Tennessee 37204

Market and Dividend Information

Our common stock trades on the NASDAQ National Market under the symbol "CHUX." As of March 9, 2007, there were approximately 3,134 shareholders of record of our common stock. The following table shows quarterly high and low bid prices for our common stock for the periods indicated, as reported by the NASDAQ National Market.

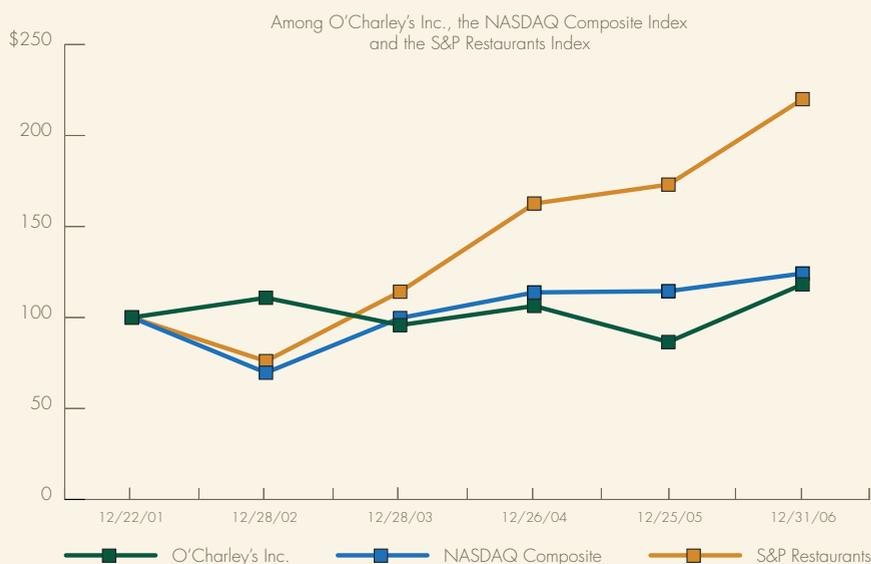
	High	Low
Fiscal 2006		
First Quarter	\$ 18.85	\$ 15.07
Second Quarter	17.58	15.49
Third Quarter	19.57	14.97
Fourth Quarter	22.31	18.19
Fiscal 2005		
First Quarter	\$22.89	\$17.62
Second Quarter	22.56	16.32
Third Quarter	19.70	13.97
Fourth Quarter	15.77	12.69

We have never paid a cash dividend on our common stock, and we presently intend to retain our cash to finance the growth and development of our business. Our credit facility limits the payment of cash dividends on our common stock without the consent of the participating banks.

Forward-Looking Statements

Some of the statements we make in this Annual Report are forward-looking. Forward-looking statements are generally identifiable by the use of the words "anticipate," "will," "believe," "estimate," "expect," "plan," "intend," "seek" or similar expressions. These forward-looking statements include all statements that are not historical statements of fact and those regarding our intent, belief, plans or expectations including, but not limited to, the discussions of our operating and growth strategy, projections of revenue, income or loss, information regarding future restaurant openings and capital expenditures, potential increases in food and other operating costs, and our development, expansion, franchising and joint venture plans and future operations. Forward-looking statements involve known and unknown risks and uncertainties that may cause actual results in future periods to differ materially from those anticipated in the forward-looking statements. Those risks and uncertainties include, among others, the risks and uncertainties discussed below. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of these assumptions could prove to be inaccurate, and, therefore, there can be no assurance that the forward-looking statements included in this Annual Report on Form 10-K will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, you should not regard the inclusion of such information as a representation by us or any other person that our objectives and plans will be achieved. We do not undertake any obligation to publicly release any revisions to any forward-looking statements contained herein to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

Comparison of Five-Year Cumulative Total Return*



*\$100 invested on 12/22/01 in stock or on 12/31/01 in index including reinvestment of dividends. Indexes calculated on month-end basis.

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**Len Carpenter, who for 25 years provided unwavering loyalty and leadership that helped Ninety Nine grow from a local concept with 10 restaurants to a powerhouse in the Northeast with 114 locations, retired from his position as vice president of operations in April 2007. His tenure, which was distinguished by his wisdom, grace and strength, has made a lasting impact on the Ninety Nine and O'Charley's Inc.



O'CHARLEY'S INC.

3038 Sidco Drive
Nashville, TN 37204
615-256-8500
www.ocharleysinc.com

