DARDEN®

Perspectives on Value Creation

Barington Capital Group, L.P.

December 17, 2013

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I. Executive Summary

Perspectives on Value Creation

Executive Summary: About Barington Capital Group

- Barington Capital Group, L.P. (“Barington”) is an investment firm that, through its affiliates, manages a value-oriented, activist investment fund that was established by James A. Mitarotonda in January 2000
- Barington’s principals and senior advisors have significant experience working with publicly traded companies to design and implement initiatives to improve long-term shareholder value
- Barington has substantial expertise investing in branded consumer companies, including restaurants, retail and apparel companies
  - Prior investments include Lone Star Steakhouse, Dillard’s, The Jones Group, Lancaster Colony, Pep Boys and Warnaco
- Barington represents a group of shareholders that currently owns over 2% of the outstanding shares of Darden Restaurants, Inc. (“Darden” or the “Company”)

Barington has a fourteen year history of working with the boards and management teams of publicly traded companies to help improve operations, strategic focus, profitability and corporate governance

Executive Summary: About Darden Restaurants

Description

- Darden is one of the world's largest publicly traded full service restaurant companies
- As of Darden's most recent annual report, the Company operated 2,138 restaurants in the United States and Canada, including:
  - 828 Olive Garden restaurants
  - 705 Red Lobster restaurants
  - 430 LongHorn Steakhouse restaurants
  - 49 The Capital Grille restaurants
  - 44 Yard House restaurants (acquired in 2012)
  - 33 Bahama Breeze restaurants
  - 31 Seasons 52 restaurants
  - 12 Eddie V's Prime Seafood restaurants
- Olive Garden and Red Lobster represents 72% of the Company's LTM revenue
- Darden owns more real estate than its peers, including the land and buildings on 1,048 properties and the buildings on 802 ground leased sites

LTM Financials

$ in millions; except per share; as of December 16, 2013

Total Revenue	$8,676
EBITDA	997
EBIT	596
Net Income	371
Total Enterprise Value	$9,479
Cash & Short term investments	109
Total Debt	2,760
Market Capitalization	6,827
Shares Outstanding (mm)	130.6
Current price per share	$52.29
Price per share on Oct. 8, 2013*	$46.28
Dividend Yield %	4.1%

* Day prior to Wall Street Journal article disclosing the Barington Group's stake in Darden

Source: SEC filings; Capital IQ
Note: See Appendix for list of peer group companies

Executive Summary: Darden Has Underperformed

- Darden has underperformed its peers in total shareholder return ("TSR") over the past one-, three- and five-year periods
- Darden's EBITDAR margin has been in decline since FY2011 and is below the average of its peers, despite having one of the largest revenue bases in the industry
- Darden has not captured economies of scale or synergies from acquisitions – SG&A as a percent of revenue has been flat over the tenure of its current CEO despite Darden's significant growth through acquisitions
- Darden's expensive promotional strategy has failed to stem declining same-store-sales at its core brands, Red Lobster and Olive Garden

Darden's Relative TSR to:	1-Year	3-Year	5-Year
BJ's Restaurants	16.7%	19.0%	-72.5%
Bloomin' Brands	-55.4%	N/A	N/A
Brinker International	-29.2%	-102.1%	-85.8%
The Cheesecake Factory	-36.4%	-37.7%	-146.2%
Chuy's Holdings	-44.6%	N/A	N/A
Del Frisco's	-37.0%	N/A	N/A
Ignite Restaurant Group	-6.5%	-9.1%	35.2%
Texas Roadhouse	-64.0%	-61.9%	-103.2%
Peer Group Average	-37.8%	-57.1%	-48.4%

Source: Bloomberg
Note: 1-, 3- and 5-year TSR as of Darden's October 8, 2013 unaffected share price
Note: Peer Group Average weighted by market capitalization
Note: See Appendix for list of peer group companies

Executive Summary: Darden Has Become Too Complex

- Darden has acquired five brands over the past six years
- As a result of these acquisitions, Darden has become a complex business, managing eight restaurant brands that target different customer segments, have different marketing needs, serve vastly different menus with different price points and require different culinary and customer experience innovations
- We believe that Darden has centralized too much of its restaurant brand management, creating internal complexity and diminished brand-level focus
  - As a result, Darden has become, in our view, too complex and burdened to compete with its more focused and nimble competitors
- We believe that Darden's corporate centralization and resulting internal complexity have contributed to the Company’s declining financial performance and eroding competitive position

> ***“We believe that Darden has become ‘too big to perform’ in the highly competitive casual dining industry.”***
>
> **Hedgeye Risk Management, October 11, 2013**

Executive Summary: Darden Has Significant Upside Potential

- Despite Darden's disappointing performance, we believe that the Company has significant upside potential
- Darden has many valuable assets that we believe are not adequately reflected in the Company's share price
  - Eight well-established brands
  - Strong free cash flow generation
  - Significant real estate holdings
  - Sizable dividend capacity
  - Actionable opportunities to meaningfully reduce expenses and improve operating execution

We believe that Darden is undervalued and has the potential to deliver materially stronger returns for its shareholders over the long-term

Executive Summary: Plan for Value Creation

- To unlock Darden's long-term value potential, we recommend that Darden promptly and thoroughly explore each of the following three recommended actions:

  ✓**Create Two Focused Restaurant Companies to Improve Execution**

  - Run each company to best meet the needs of its brands

  ✓**Unlock the Value of Darden's Extensive Real Estate Assets**

  ✓**Reduce Operating Expenses**

If our recommendations are fully implemented, we estimate that Darden's common stock would be valued between $71 and $80 per share, representing an increase of up to 73% over the closing price on October 8, 2013* of $46.28 per share

* Day prior to Wall Street Journal article disclosing the Barington Group's stake in Darden

Executive Summary: Create Two Focused Restaurant Companies

Barington Plan: Create two distinct restaurant companies to improve operating execution and management focus

"Darden-Mature"

- Red Lobster — Fresh Fish • Live Lobster
- Olive Garden — Italian Restaurant

"Darden Higher-Growth"

- Bahama Breeze — Island Grille
- LongHorn Steakhouse
- Seasons 52 — Fresh Grill
- Eddie V's — Prime Seafood
- Yard House
- The Capital Grille

Executive Summary: Create Two Focused Restaurant Companies

Barington Plan: Operate each company to best meet the unique needs of its brands

"Darden-Mature"

- Reestablish competitive and distinctive brand strategies
- Reduce reliance on excessive promotions
- Stabilize and improve restaurant level productivity and restaurant experience
- Reduce non-restaurant G&A and return to pre-acquisition scale efficiency trends
- Unlock misallocated capital and improve capital returns
- Maintain dividend
- Critically review existing locations and consider closing underperforming restaurants
- Cease new restaurant expansion in the near term

"Darden Higher-Growth"

- Deliver innovative, differentiated customer experience
- Invest in new restaurant expansion
- Leverage niche and differentiated marketing strategies
- Continue to develop brand awareness
- Capture high growth brand valuation premium
- Build capital discipline around an efficient capital structure
- Reinvest cash flow to support growth
- Evaluate potential brand divestiture and spinoff opportunities

Executive Summary: Unlock the Value of Real Estate Assets

- Darden owns significantly more real estate than any of its peers
- We conservatively estimate the value of Darden's fee owned and ground leased real estate to be approximately $4.0 billion (before leakage costs), which we believe is not fully reflected in the Company's current share price
- **We believe that a publicly traded REIT provides shareholders with the most immediate and tax efficient path to unlock the value of Darden's real estate assets**
  - The creation of a single tenant, single credit REIT represents a proven strategy to unlock value
  - There are several other structural alternatives available to unlock the value of the Company's real estate
- Any "friction-costs" associated with unlocking the value of Darden's real estate assets are not significant, particularly when compared to the potential value that can be created, and have been integrated into our analysis
  - We estimate that a comprehensive refinancing of Darden's $2.2 billion of public and private notes could cost in the range of $200 - $390 million, or approximately $1.50 to $3.00 per share

Darden's sizeable real estate holdings provide the Company with a tremendous opportunity to create significant value for shareholders

Note: See Appendix for list of peer group companies

Executive Summary: Reduce Operating Expenses

- We believe that Darden can substantially reduce operating expenses by bringing SG&A spending in-line with its peers
- We are encouraged by Darden's announcement that it is "taking steps that will reduce its annualized operating support spending by approximately $50 million" following our discussions with senior management
- **We believe Darden can implement additional expense reductions of a greater scale and in a shorter period of time**
  - A closer look at the announced reductions shows that approximately $25 million will be implemented in fiscal 2014, which will be offset by approximately $10 million in implementation costs; the estimated $50 million in expense reductions will not be fully implemented until fiscal 2015
  - As part of SG&A reduction, we recommend that Darden reduce advertising expenses to be more in-line with its peers, as well as modernize its advertising strategy to ensure that reduced advertising spend does not impact top-line growth

> ***"It's just a matter of time before somebody takes full advantage of this low-hanging fruit [i.e., cost cuts], improves profitability, and creates significant value for shareholders."***
>
> **Hedgeye Risk Management, October 11, 2013**

We believe Darden has numerous actionable avenues to lower operating expenses by up to $100 – $150 million and substantially enhance earnings

Executive Summary: Barington's Recommendation

Darden Today

Full Implementation of Barington Plan

Investors Receive Shares in Three Separate Companies

Darden-Mature

Rev: ~$6,300 mm

Estimated Credit Rating: Low BBB

High Dividend Payout

Restore the "crown jewels" of casual dining

Darden-Higher-Growth

Rev: ~$2,400 mm

Estimated Credit Rating: High BB

Build on existing growth trajectory with added brand-level agility

Darden REIT

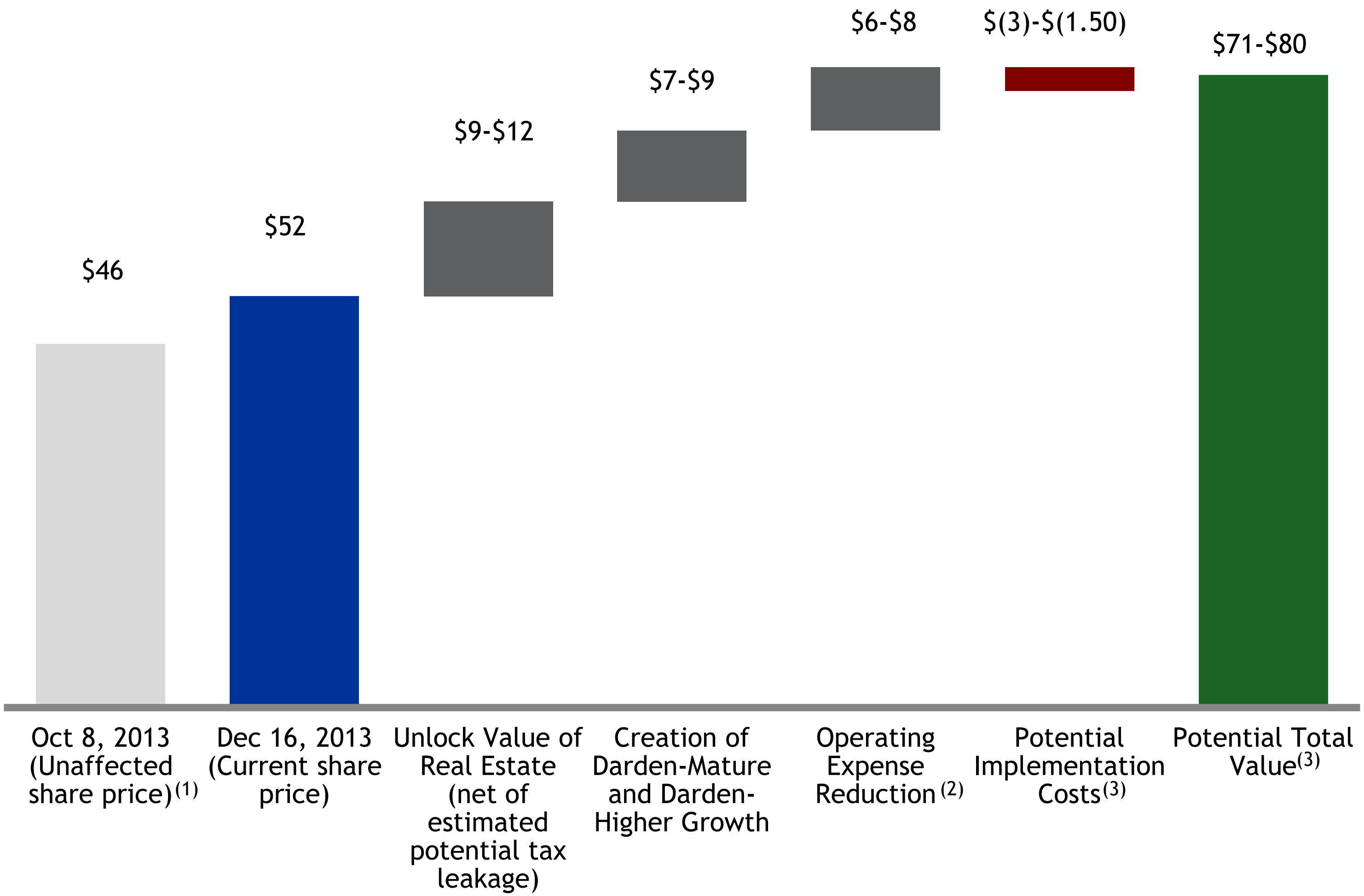
Rev: ~$350 mm

Estimated Credit Rating: High BB to Low BBB

High Dividend Payout

Unlock value of substantially underappreciated real estate value for shareholders

Executive Summary: Potential Share Price Impact



Source: SEC Filings; Capital IQ; Barington analysis
(1) Day prior to Wall Street Journal article disclosing the Barington Group's stake in Darden
(2) 7.5x multiple applied to $100 - $150 million of total cost savings; based on NPV of projected flat tax adjusted savings
(3) Potential costs of up to $3.00 per share due to refinancing; the low and high end of potential value range utilize $3.00 and $1.50 per share, respectively
Note: Based on Barington's estimate of possible effect on value

Executive Summary: Addressing Potential Concerns

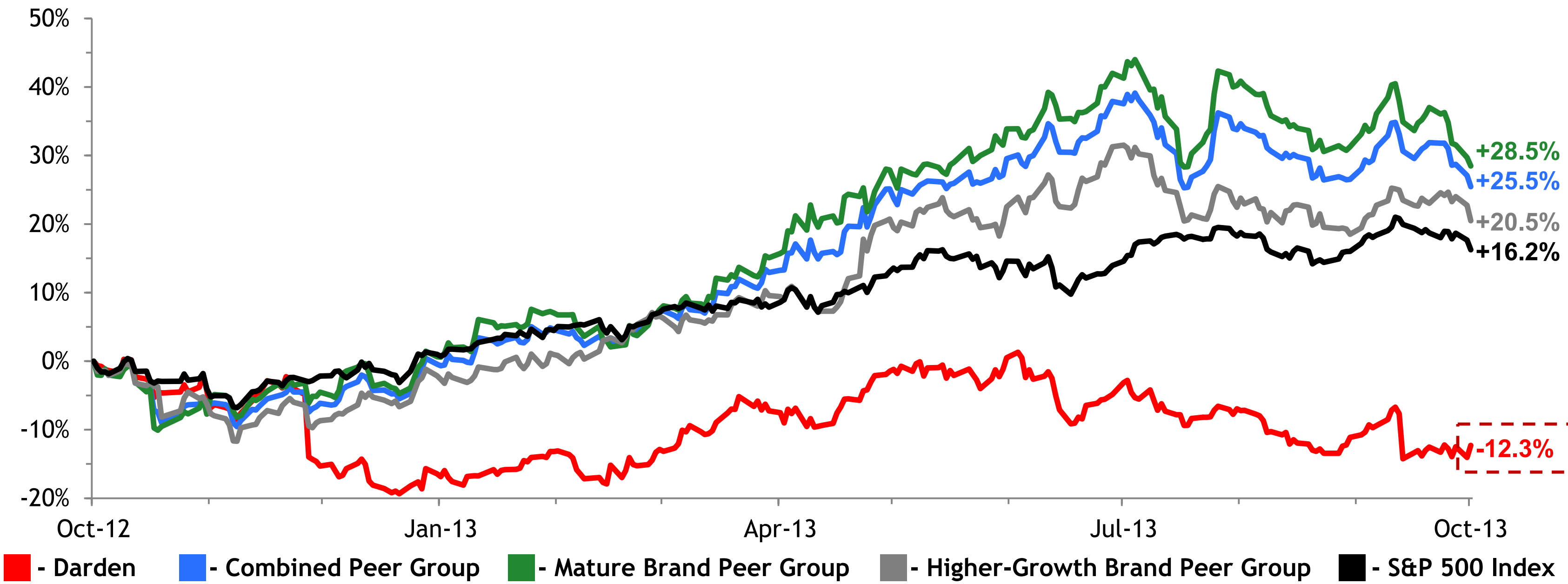
- “Existing structure provides synergies which would be lost in formal separation”
  - ✓ The Company shows no clear signs of enjoying economies of scale and management has never been able to quantify synergies when asked
- “The overall valuation would remain unchanged since the ‘Darden-Higher-Growth’ valuation would be offset by the ‘Darden-Mature’ lower valuation”
  - ✓ The long-term value of creating two separate companies comes from greater focus and better execution
  - ✓ We believe “Darden-Mature” would continue to be valued on the basis of its dividend yield similar to how Darden is currently valued, while “Darden-Higher-Growth” would be valued as a growth equity
- “Higher-growth brands would be vulnerable on their own”
  - ✓ Darden’s own management team has acknowledged that the higher-growth brands are self-funding
- “The benefits of monetizing real estate would be overwhelmed by ‘friction costs’”
  - ✓ Friction costs, including refinancing expenses and potential tax leakage, are greatly exceeded by the value that can be created from our proposed strategies, and are integrated into our analysis (see page 72)

II. Darden Has Underperformed

Perspectives on Value Creation

One-Year Performance

Total Shareholder Return - Percent Change



"Our financial performance in fiscal 2013 was certainly disappointing, with sales and earnings results that were well below what we expected when the year began."

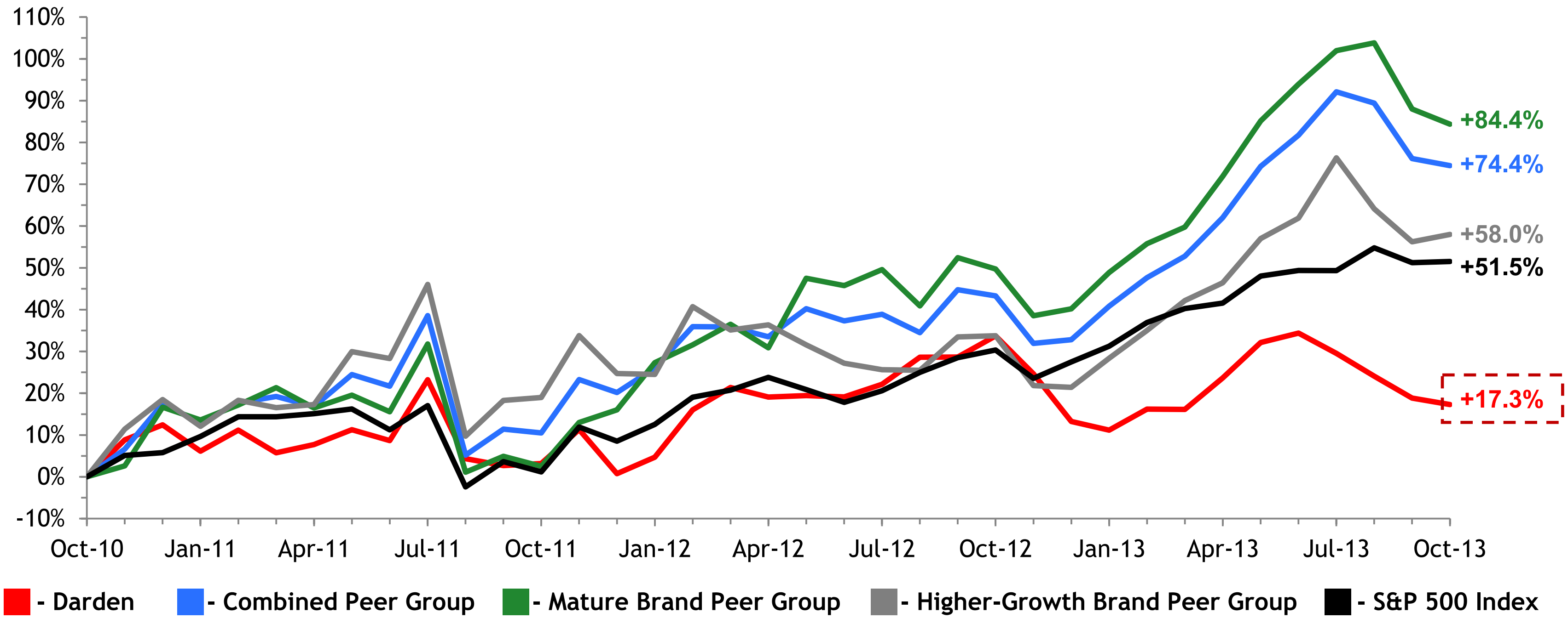
- Clarence Otis, Chairman and CEO of Darden Restaurants

2013 Annual Report - Letter to Shareholders

Source: Bloomberg
Note: TSR as of Darden's October 8, 2013 unaffected share price
Note: See Appendix for list of peer group companies

Three-Year Performance

Total Shareholder Return - Percent Change

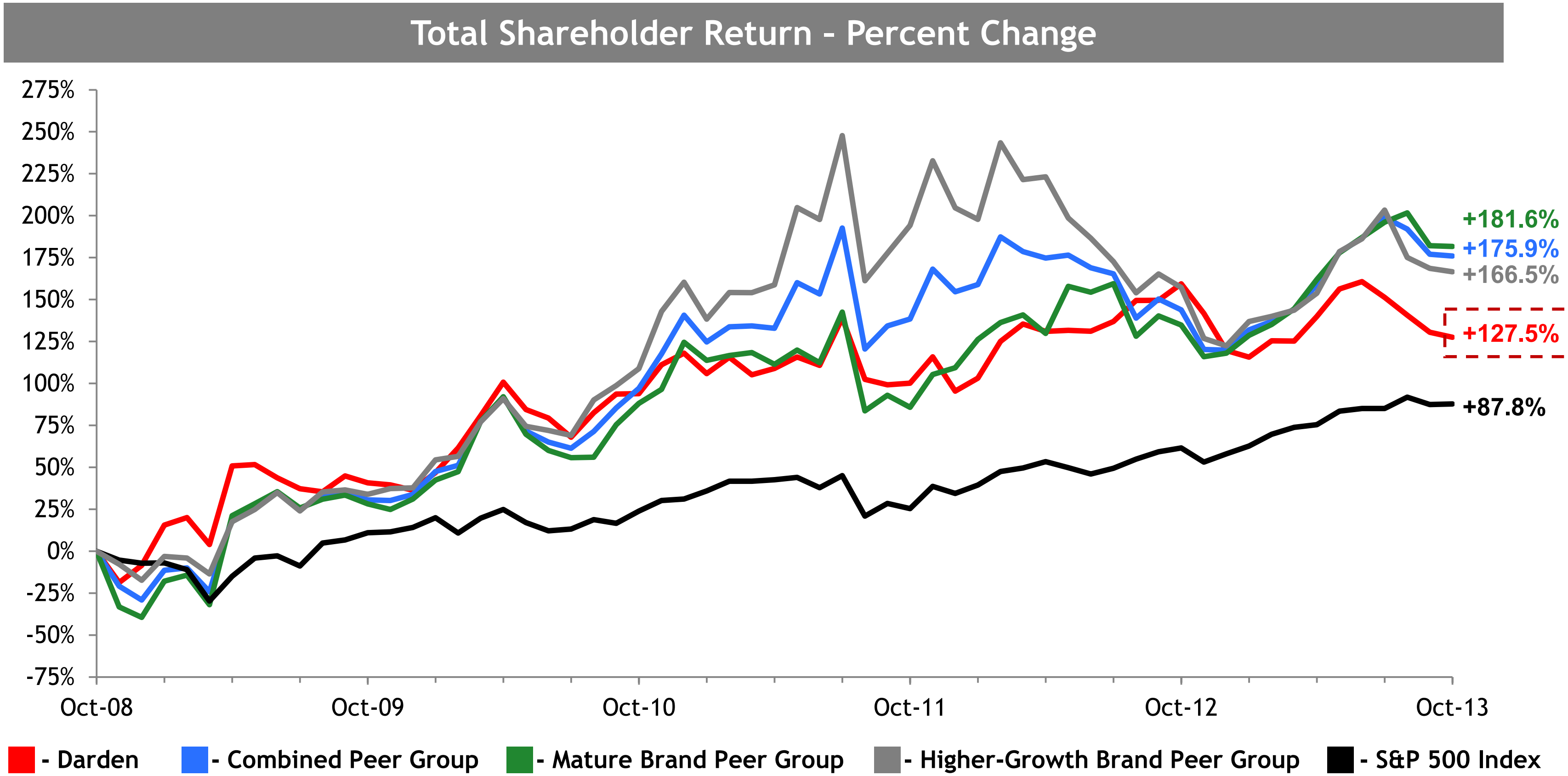


"Darden needs shaking up, and a split could be a logical move. Management has been unable to reverse years of declines at the company's key restaurants. Net income rose just 1% between the fiscal years ended in May 2010 and May 2013. In that span, Darden added more than 300 new restaurants, ending the latest fiscal year with a total of 2,138."

Barrons, November 30, 2013

Source: Bloomberg
Note: TSR as of Darden's October 8, 2013 unaffected share price
Note: See Appendix for list of peer group companies

Five-Year Performance



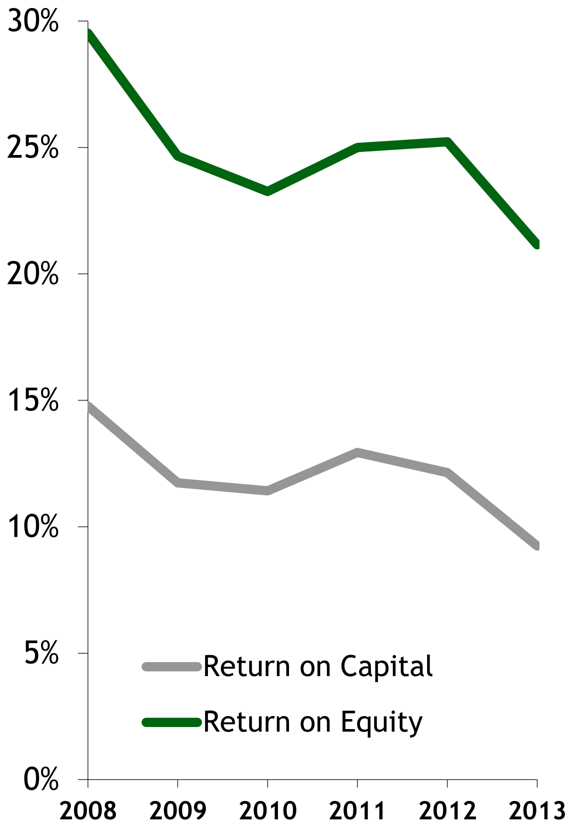
Darden is "[m]assively underperforming its Peer Index on a 5-year basis…."

Hedgeye Risk Management, October 11, 2013

Source: Bloomberg
Note: TSR as of Darden's October 8, 2013 unaffected share price
Note: See Appendix for list of peer group companies

Five-Year Declining Return on Capital and Return on Equity

FY08-13 ROC and ROE



How can Darden justify spending $585 million for the purchase of Yard House?

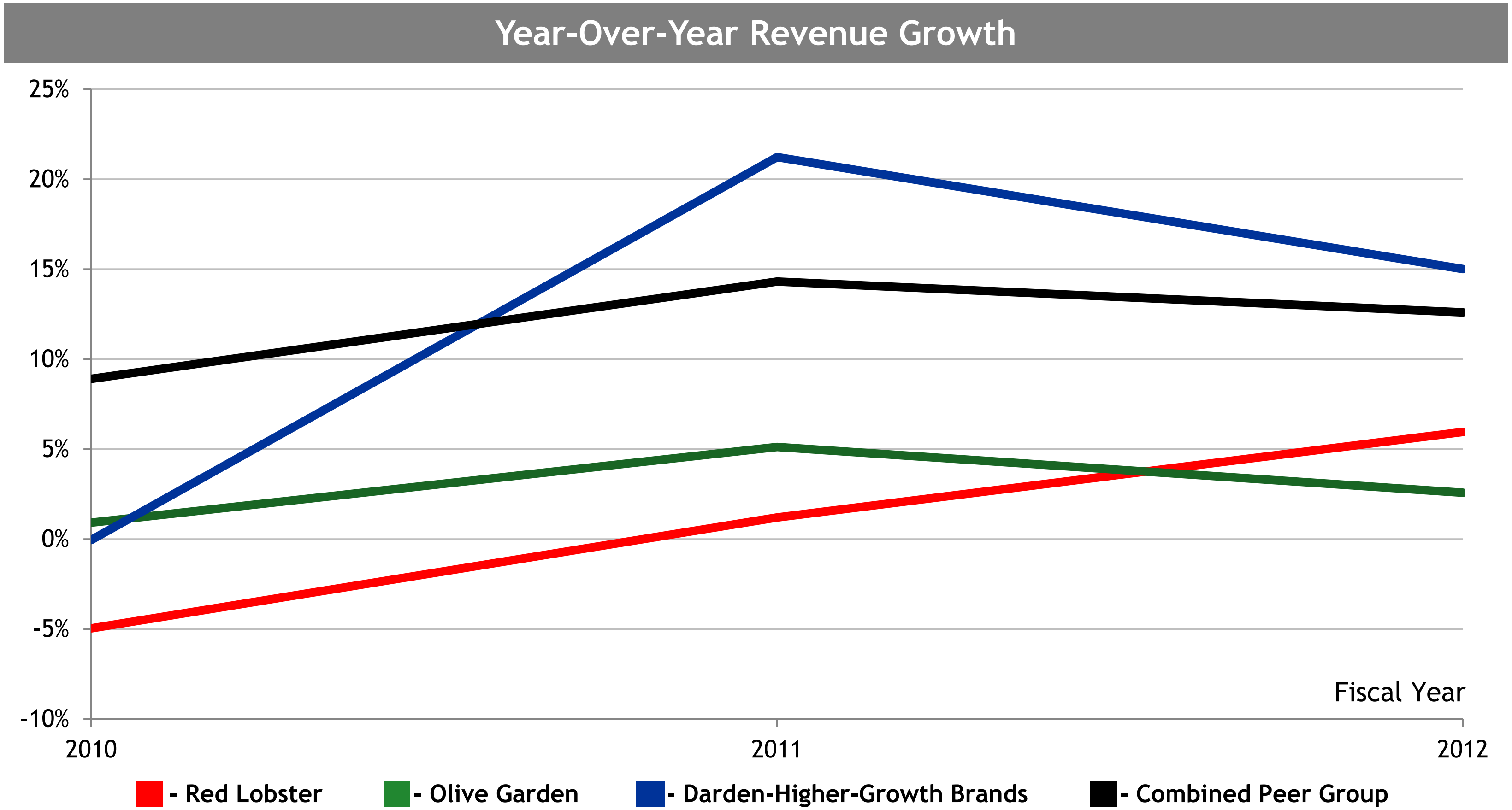
"Darden is well known in the industry for its well-fed infrastructure including its [$152] million state-of-the-art corporate HQ opened 2009."

JP Morgan, October 8, 2013

Darden's capital allocation decisions over the past five years have destroyed, not enhanced, shareholder value

Source: SEC filings

Three-Year Revenue Growth



Revenue growth at Red Lobster and Olive Garden has been significantly lower than Darden's peers

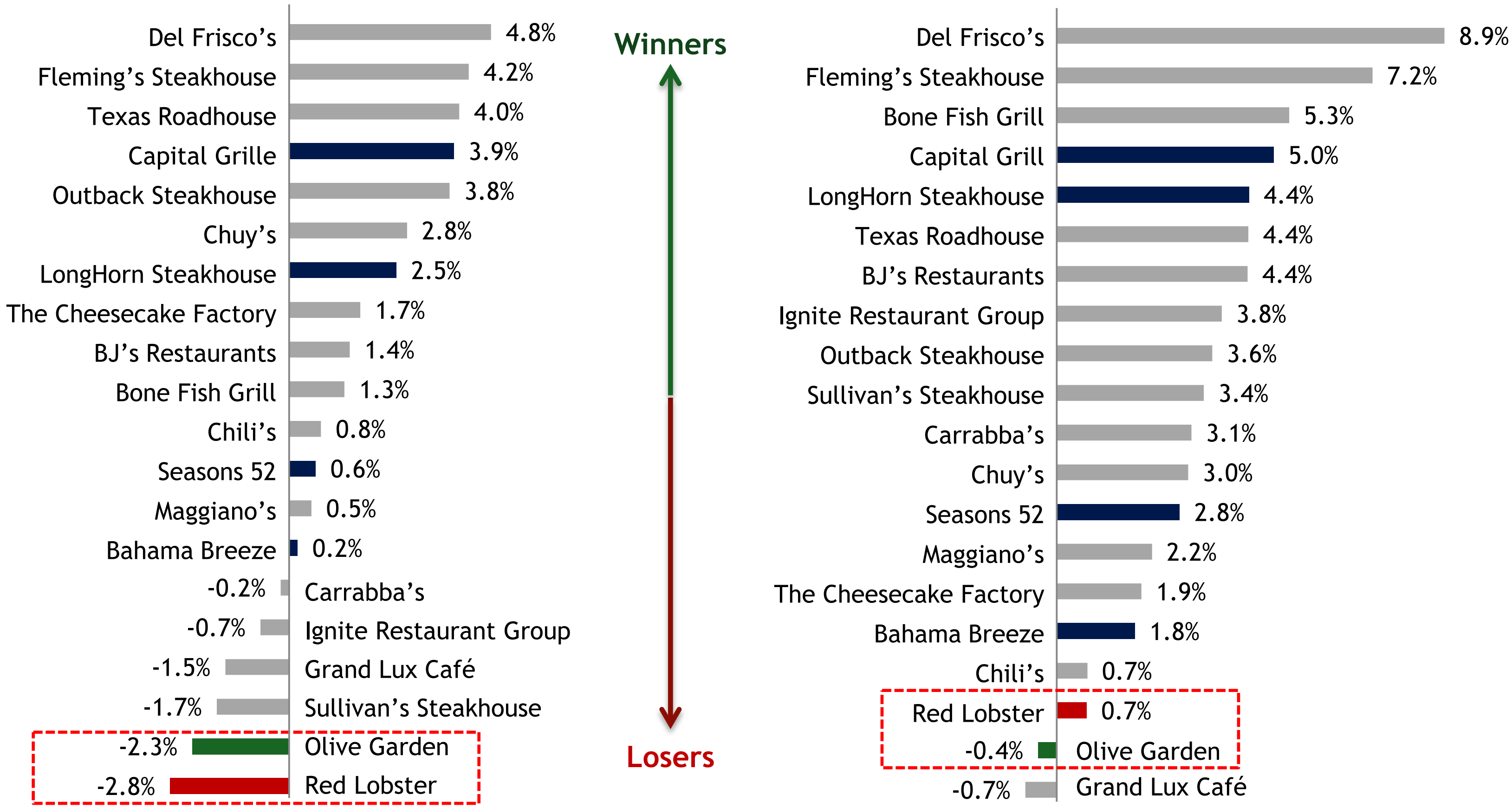
Source: SEC filings
Note: See Appendix for list of peer group companies

Winners and Losers

Average Same-Store-Sales Growth - Percent

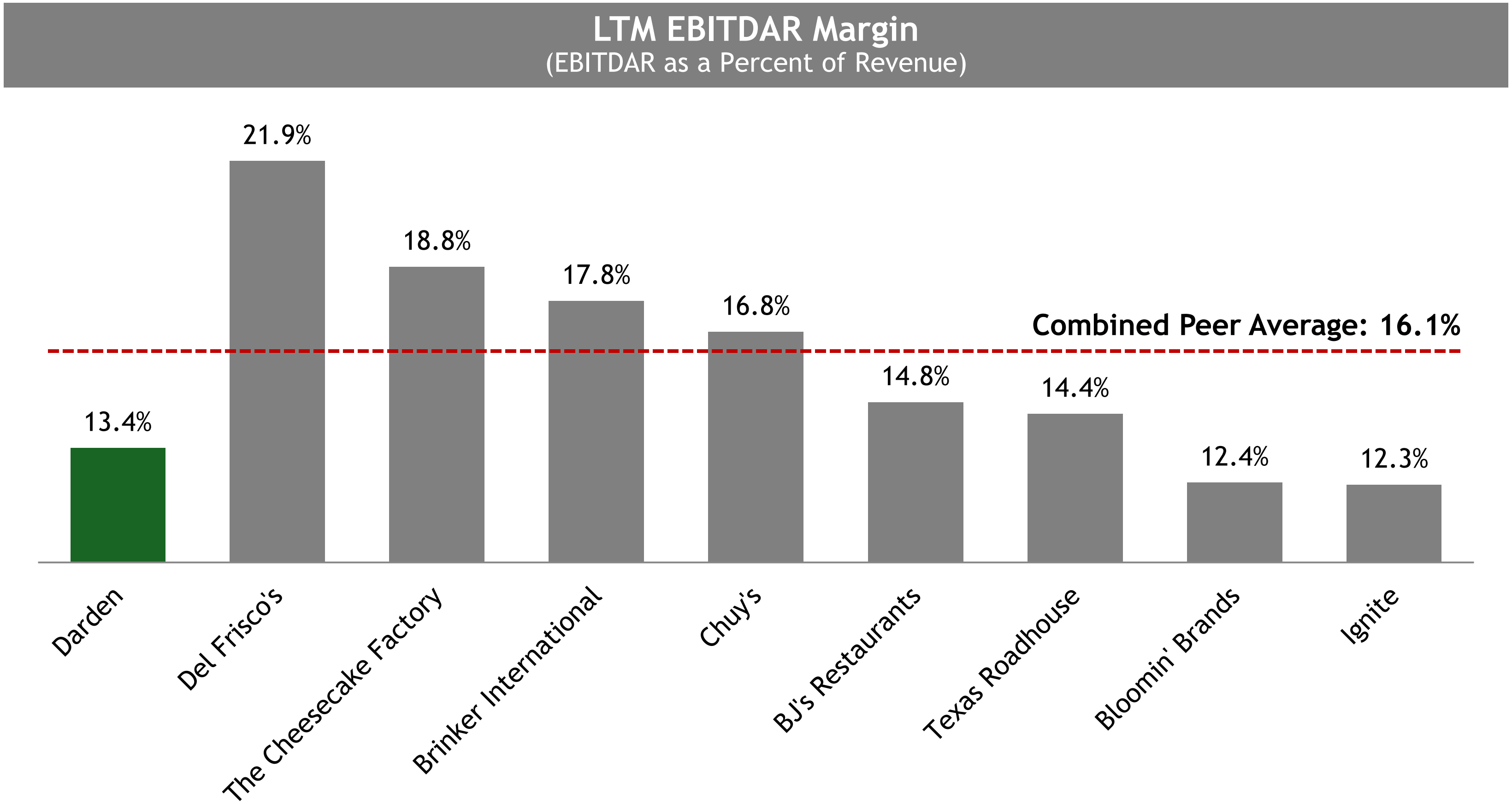
One-Year Average

Three-Year Average



Source: Raymond James, *Restaurant Industry Comparable Store Sales Trend Report* (Second Quarter 2013); Barington analysis
Note: 3-year average includes 3Q CY2010 through 2Q CY2013; 1-year average includes 3Q CY2012 through 2Q CY2013; average percent change is based on straight average of quarterly same-store-sales change
Note: Analysis excludes Eddie V's and Yard House
Note: Chili's and Maggiano's are brands of Brinker; Outback Steakhouse, Fleming's Steakhouse, Carrabba's and Bonefish Grill are brands of Bloomin' Brands; Sullivan's is a brand of Del Frisco's; Grand Lux Café is a brand of The Cheesecake Factory

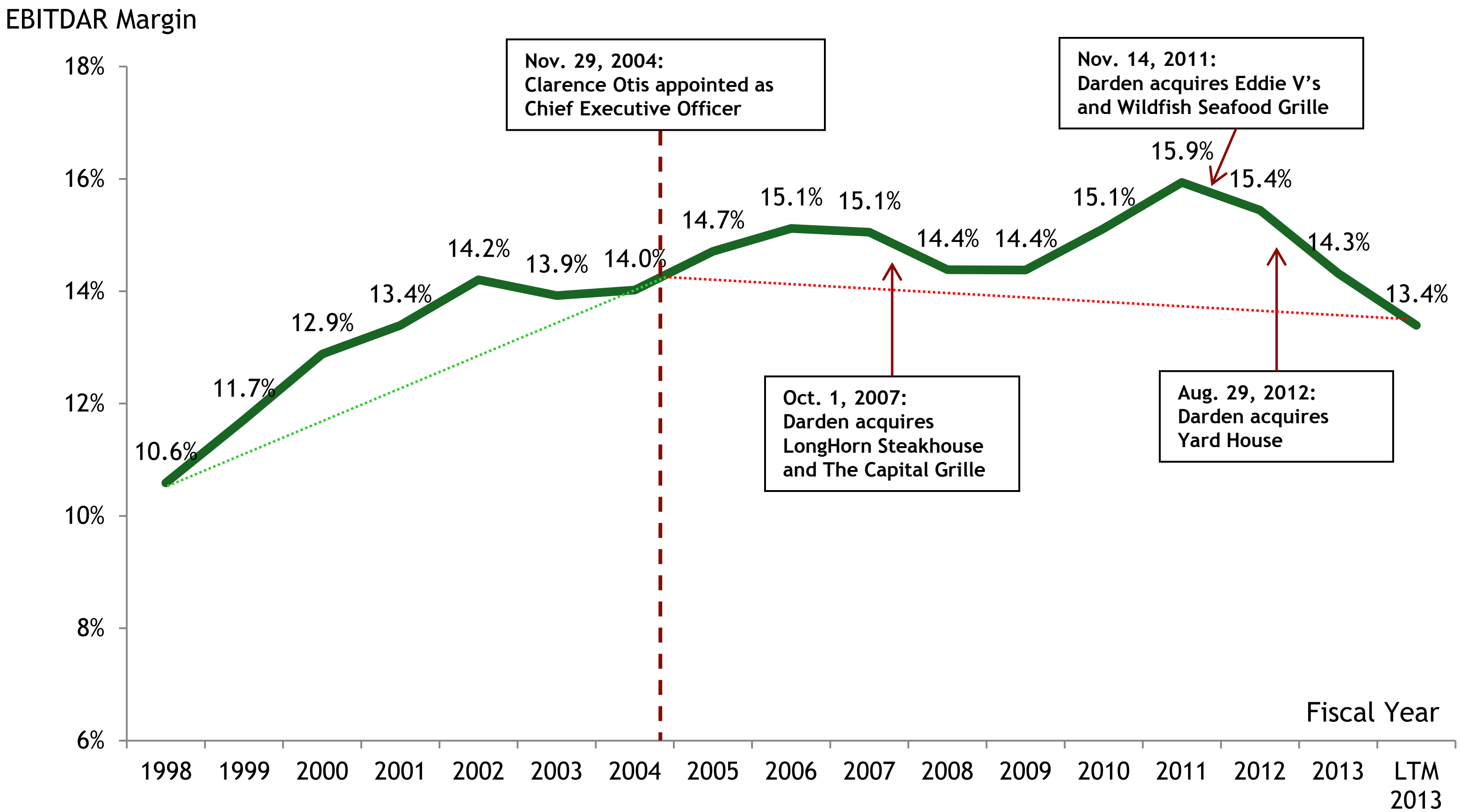
Under-Performing Margins



Despite Darden's enterprise value being twice as large as its next closest peer, the Company has below average EBITDAR margins

Source: Capital IQ
Note: See Appendix for list of peer group companies

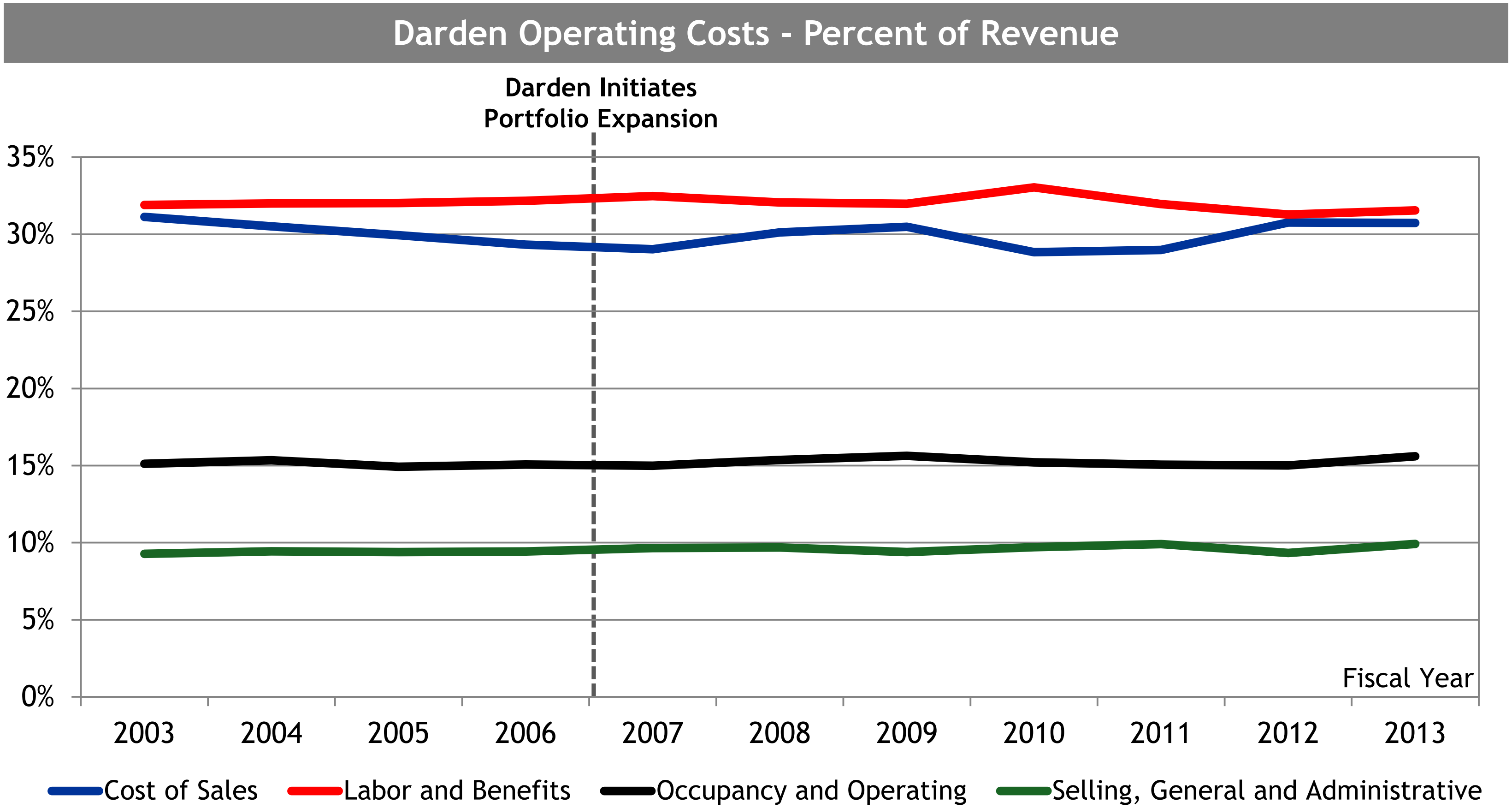
Declining EBITDAR Margin



Darden has not realized any economies of scale from its current management team's acquisition strategy

Source: SEC filings

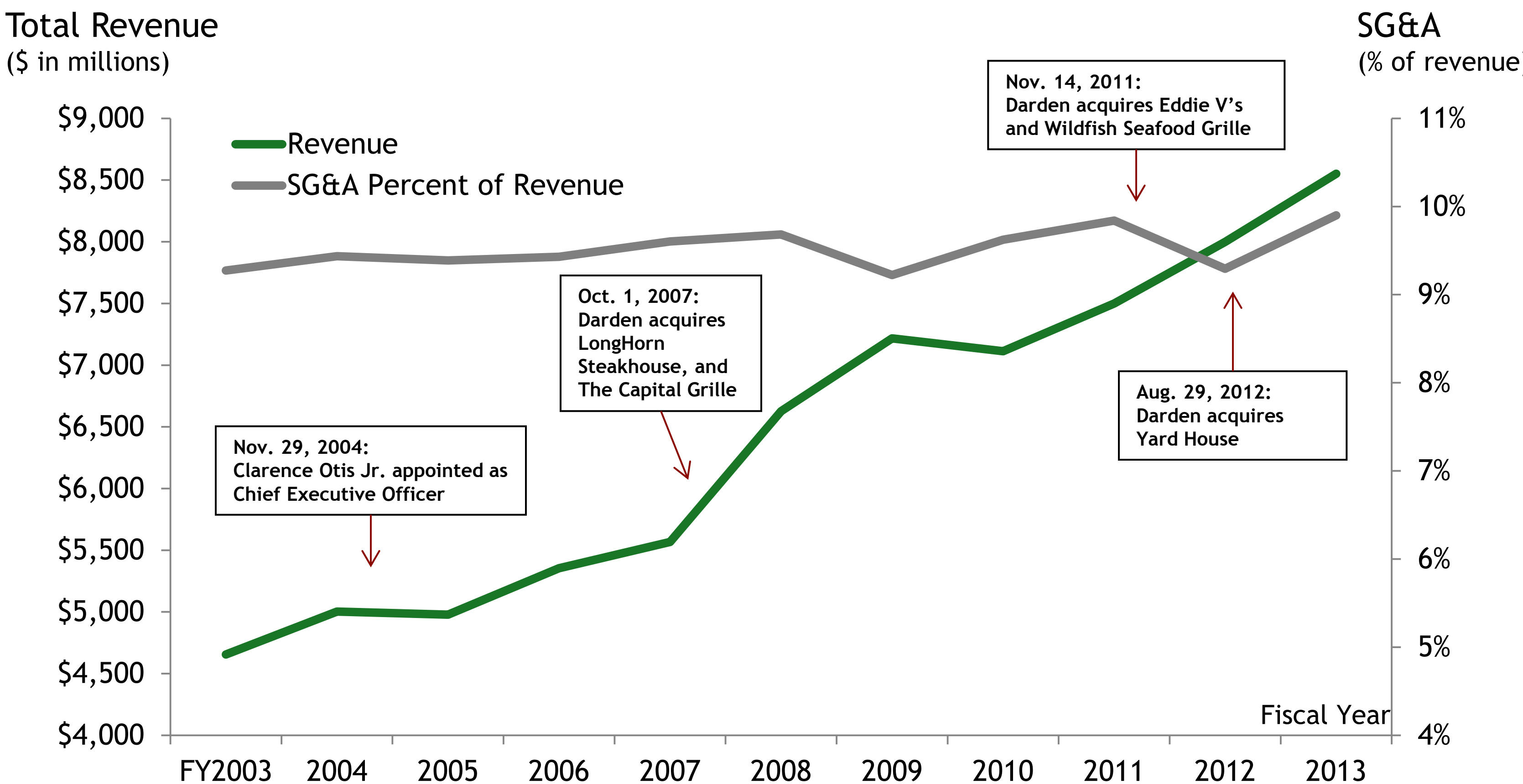
Failure to Capture Economies of Scale



Darden: Where are the "tremendous synergies" your management team has promised?

Source: SEC filings

Failure to Capture Economies of Scale: SG&A as a % of Revenue

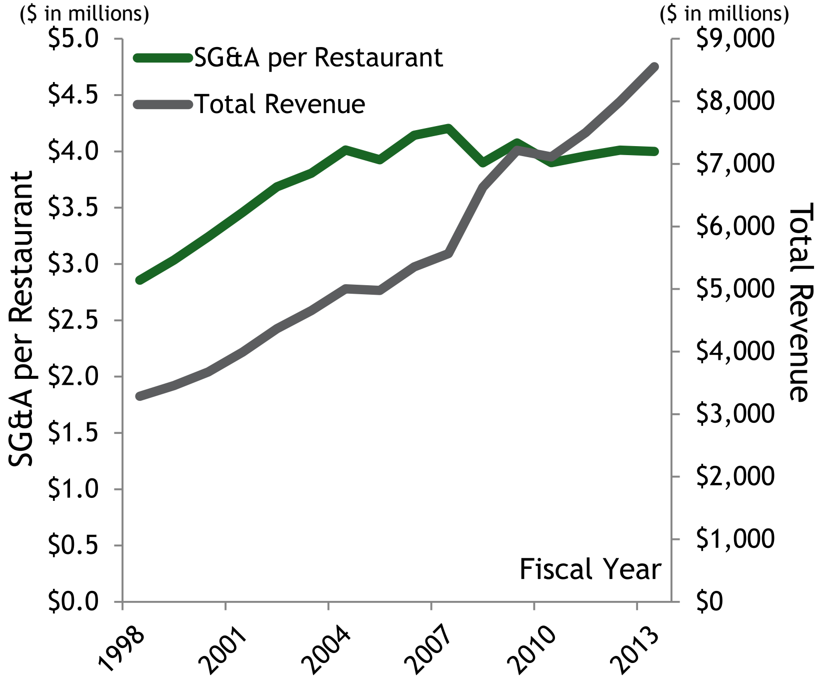


Darden has not captured any economies of scale savings despite acquiring five brands over the past six years

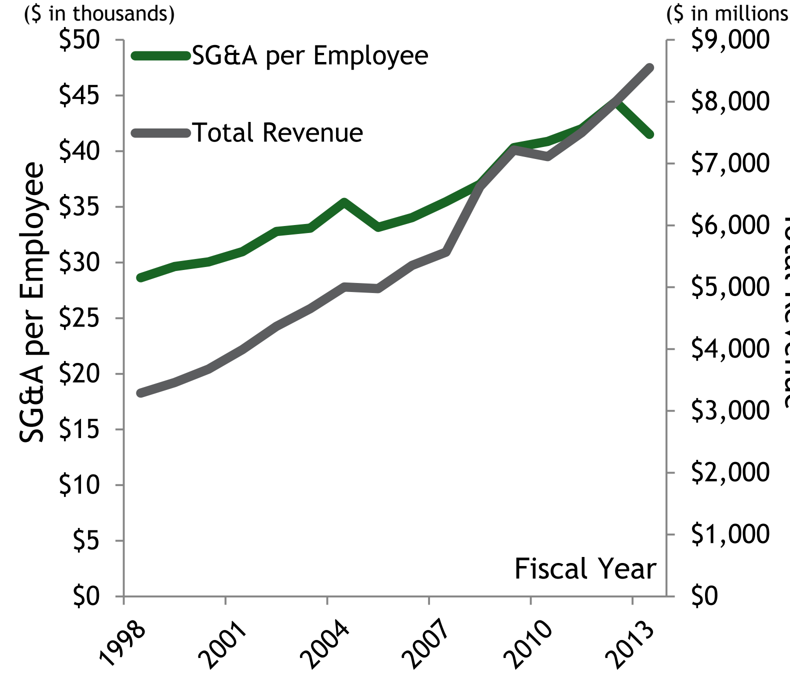
Source: SEC filings; Capital IQ

Failure to Capture Economies of Scale: SG&A Spend Per Restaurant and Employee

SG&A Spend per Restaurant Compared to Revenue



SG&A Spend per Employees Compared to Revenue



"We build a lot of G&A efficiencies in this multi-brand setup..."

-Eugene Lee, President of Specialty Restaurant Group

Darden Restaurants Analyst/Investor Day, February 26, 2013

Darden: We don't see them – where are these so-called "G&A efficiencies"?

Source: SEC filings; Capital IQ Transcripts

Ineffective Price Promotions

- We believe that Darden has overspent on a flawed price promotion strategy that no longer appeals to its core customer base
- While Darden acknowledged its missteps and decided to retool its menu and promotions, we believe that Darden’s push towards discounting its premium products has accelerated Darden’s decline in profitability and overall brand perception

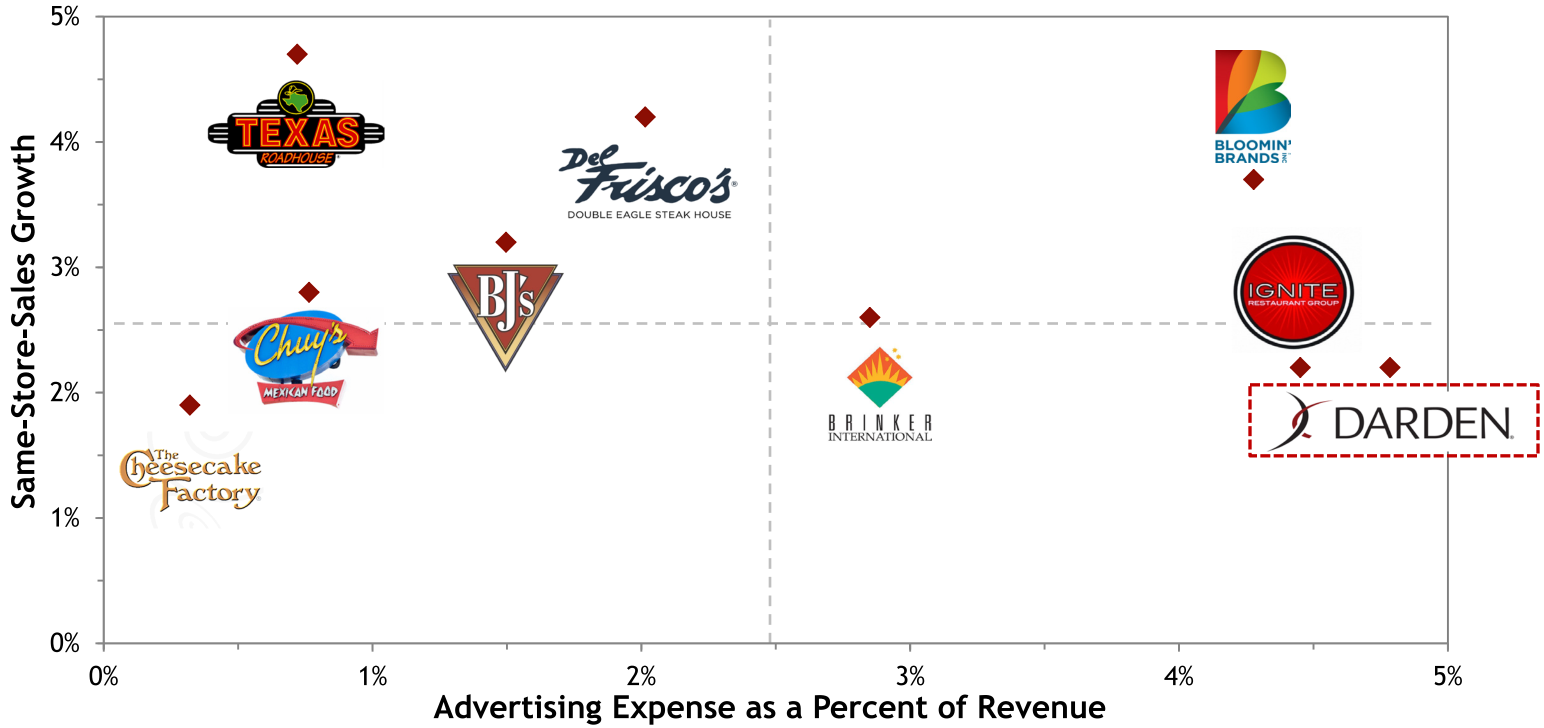
> ***“This year's promotional offers were largely consistent in nature with what we've promoted successfully in the past. These promotions did not resonate with financially stretched consumers as well as newer promotion from competitors. Our disappointing results for the quarter point to the need for bolder changes in the promotional approach at our three large brands.”***
>
> **- Clarence Otis, Chairman and CEO of Darden Restaurants**
>
> **Darden Press Release, December 4, 2012**

Source: SEC filings

Ineffective Price Promotions (cont'd)

- Darden ranks last among its peers in terms of translating advertising spend into same-store-sales growth

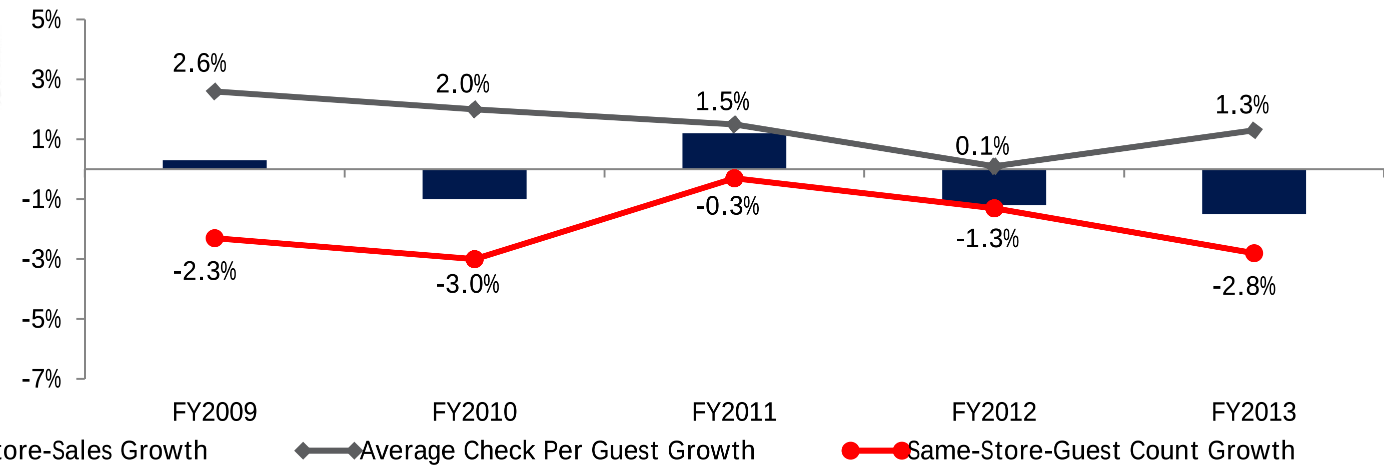
2012 Advertising Expense as a Percent of Revenue Compared to 2012 Same-Store-Sales Growth

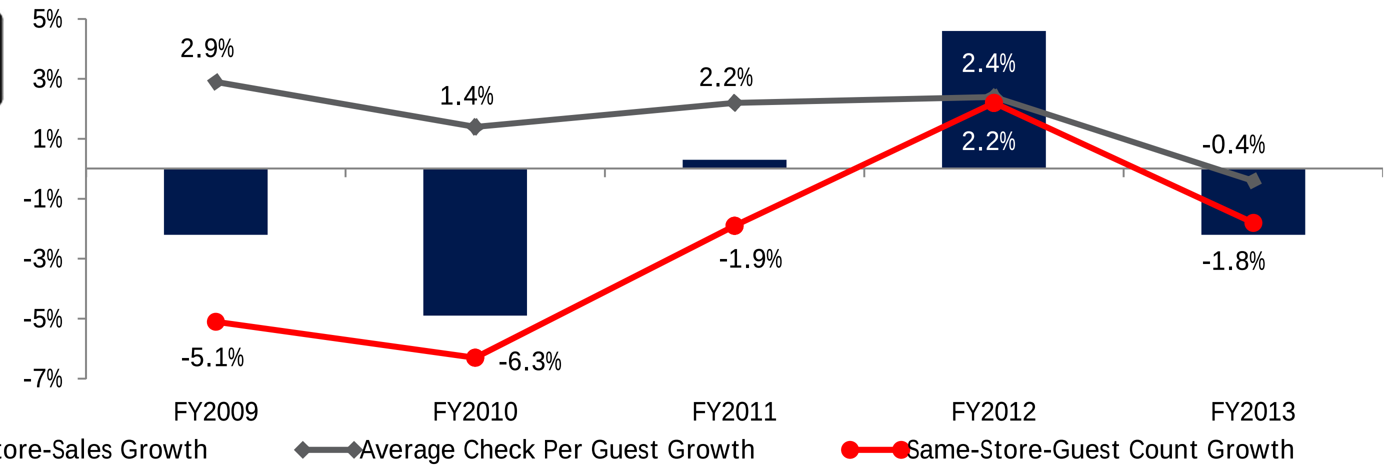


> *"As chains like Chipotle, Trader Joe's, and Whole Foods reinvest more in the core concept and less in advertising, consumers seem to be recognizing the food value without the need for traditional promotions or limited-time offers."*
>
> RBC Capital Markets, November 7, 2013

Source: SEC filings

Core Brands Suffer From Falling Guest Count





We believe brand loyalty will drive guest count growth, not price promotions

Source: SEC filings

III. Create Two Focused Restaurant Companies to Improve Execution

Valuation and Execution Alternatives

Darden's Structure is Too Complex

- As the growth of Darden's core Olive Garden and Red Lobster brands began to slow, Darden's CEO began diversifying the Company by acquiring five brands over the past six years
  - As a result of these acquisitions, Darden now manages eight restaurant brands with diverse requirements
- **We believe that Darden has centralized too much of its restaurant brand management and that the resulting internal complexity and diminished brand-level focus are responsible for the Company's declining financial performance and eroding competitive position**
  - **Darden has become, in our view, too complex and burdened to compete with its more focused and nimble competitors**
- We believe that creating two separate restaurant companies – a mature-brands company and a higher-growth brands company – would be a helpful first step to improving execution and brand-level focus at each company
- Focusing on fewer brands is a proven strategy to improve execution
  - Other restaurant companies that have embraced this approach with excellent results include McDonalds, Brinker International, Wendy's and YUM! Brands

> ***"[I]t would be prudent for Darden to acknowledge that traditional casual dining is a mature industry, and that returns to shareholders are best achieved not through unit growth but increasing FCF generation."***
>
> **JP Morgan, October 8, 2013**

Darden is Attempting to Address Its Issues by Getting Even More Complex

- In an effort to become more responsive to the changes in consumer expectations and address under-performance at Darden's largest brands, the Company recently added additional layers of management as well as new, more specialized positions, which will require integration across multiple roles and layers of management

"And so to increase our tactical effectiveness and agility, this year, we established dedicated teams, primarily within our 3 large casual brands, that focus solely on winning today…. And… to increase our strategic effectiveness and agility, we established dedicated teams at both the enterprise level and within our 3 large brands that focus on winning tomorrow."

"Turning to the new teams... [T]he teams dedicated to more consistently winning today are focused on more competitive promotional affordability, delivering our current guest experiences well and making sure that we're much more nimble, much more multi-channel when it comes to how we communicate with guests."

"The other teams, those dedicated to future success, are focusing on big opportunities, involving multi-year effort that are all about redefining the guest experiences we provide in ways that significantly increase the loyalty and frequency of current guests or that add new guests."

- Clarence Otis, Chairman and CEO of Darden Restaurants

Darden Restaurants Analyst/Investor Day, February 25, 2013

Despite the well-intentioned objectives of these additional layers of management, we are concerned that they will only make Darden a more complex organization and therefore actually hinder, rather than facilitate, the Company's competitive responsiveness

Source: Capital IQ Transcripts

Darden's Portfolio is Too Disparate

- Darden manages eight restaurant brands with diverse profiles
  - Different target customers
  - Different marketing needs
  - Different average check-size
  - Different average alcohol check-size
  - Different customer experience
  - Different competitors

Brand	Average Check Per Guest[1]	Portion of Average Check - Alcohol[1]	Number of Restaurants (mm)[1]	Average Revenue Per Restaurant (mm)[1]	Cuisine	Primary Customer Experience
Olive Garden Italian Restaurant	$16.50	7.5% ($1.24)	828	$4.6	Italian	Larger Groups/Family/Casual
LongHorn Steakhouse	$18.75	9.6% ($1.80)	430	$3.0	Steak	Western Theme/Steakhouse
Yard House	$20.43[2]	39.2% ($8.01)	44	N/A	American / Craft Beer	Upscale Bar
Red Lobster Fresh Fish · Live Lobster	$20.50	7.8% ($1.60)	705	$3.7	Seafood	Family/Casual
Bahama Breeze	$23.50	22.1% ($5.19)	33	$5.5	Caribbean	Tropical/Casual
Seasons 52 Fresh Grill	$40.75	26.9% ($10.96)	31	$6.2	Seasonal / Low-Calorie Grill	Healthy/Lighter-Fare/Cocktails
The Capital Grille	$71.25	29.8% ($21.23)	49	$7.0	American	Business Entertainment
Eddie V's Prime Seafood	$88.00	33.3% ($29.30)	12	$5.8	Seafood	White Cloth

With so many brands with diverse needs, it is no wonder that Darden appears to have lost brand focus

(1) Source: Darden FY2013 Annual Report
(2) Source: Darden Acquisition of Yard House Call, December 7, 2012

Darden Lacks Brand Focus

- We believe that a lack of brand focus has contributed to a decline in same-store-sales at certain Darden brands
  - In our view, Olive Garden in particular has struggled to keep customers and has become reactionary rather than innovative
  - As an example of Darden's lack of clear brand strategy, Olive Garden began selling the "Italiano Burger" in December 2013

Howard Penney @HedgeyeHWP 2 Dec
The notion of a company losing focus just went to a whole new level with the @olivegarden trying to sell burger and fries... #fail $DRI
Expand Reply Retweet Favorite More

The Daily Show @TheDailyShow 4h
#TDSBreakingNews Olive Garden adds Italiano burger to menu. Because nothing says Italian cuisine like a sandwich named after a German city.
Retweeted 259 times
Expand Reply Retweet Favorite More

> ***"One can assume that if the burger doesn't work out, Olive Garden will begin to sell pasta fajole smoothies and fettuccine alfredo sushi."***
>
> **"Seriously, Olive Garden, What Are You Doing?", The Motley Fool, December 8, 2013**

> ***"It would be the same as McDonald's trying to do some sort of pasta meal"***
>
> **- Peter Saleh, Telsey Advisory Group**
>
> **Bloomberg, December 2, 2013**

We believe that Darden must fix the underlying problem of declining customer perception within the respective chains by returning to their roots of chain-level distinction and brand appropriate menu innovation

Source: Bloomberg; Twitter.com; fool.com

Darden's Revolving Door of Brand Leadership

- We believe that Darden's practice of rotating brand presidents undermined its ability to develop differentiated brands and remain competitive in today's marketplace

Olive Garden Italian Restaurant

President Name	From	To	Tenure (years)
David George	Jan 2013	Dec 2013	0.9
John Caron	Jun 2011	Jan 2013	1.6
David Pickens	Nov 2004	Jun 2011	6.6
Andrew Madsen	Mar 2002	Nov 2004	2.7

Red Lobster Fresh Fish • Live Lobster

President Name	From	To	Tenure (years)
Salli Setta	Jul 2013	Dec 2013	0.4
David Pickens	Jun 2011	Jul 2013	2.1
Kim Lopdrup	May 2004	Jun 2011	7.1

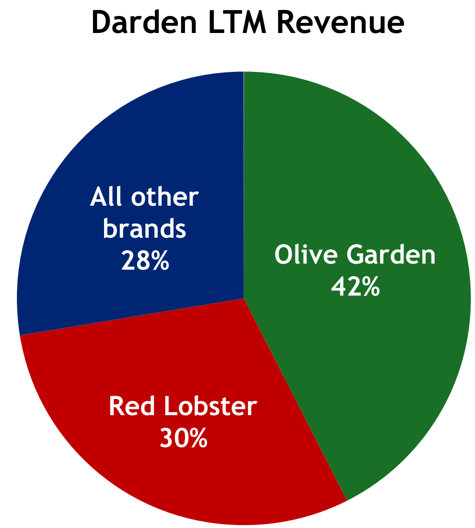
We believe that Darden needs a consistent, focused and dedicated leadership team that is held accountable for the performance of each of its brands

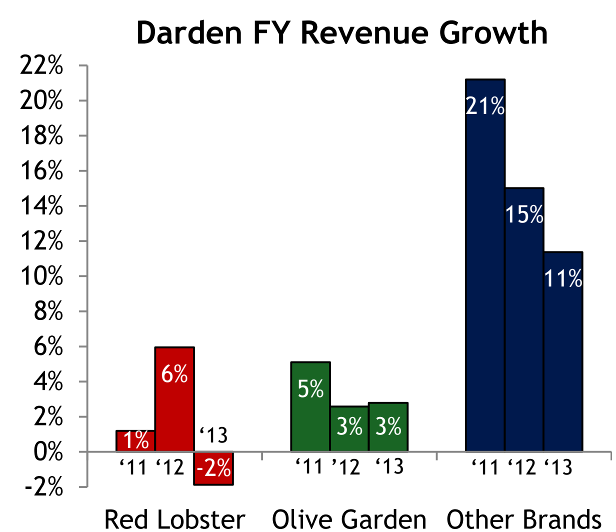
Source: SEC filings

Create Two Focused Restaurant Companies to Improve Execution

- **We believe that Darden's expansion has effectively created a house divided, whereby eight unique brands - with different economics and dining experiences - operate under the direction of one management team that has struggled to create value for shareholders**
- We therefore recommend that Darden creates two separate restaurant companies – a Mature Brands Company and a Higher-Growth Brands Company – as a helpful first step to improving execution and brand-level focus at each company
  - We believe that Darden's mature brands, with the right focus, can recover to industry-average levels of same-store-sales growth
  - We also believe that Darden's higher-growth brands have a number of promising restaurant concepts that can be expanded regionally
- As more focused restaurant companies, we recommend that each company drive brand traffic with appropriate curb appeal, menu-innovation, price point range, food quality and hospitality experience

We believe that both "Darden-Mature" and "Darden-Higher-Growth" will thrive as their management teams are able to better focus on the unique requirements of each brand





Source: SEC filings

"Darden-Mature" Needs Focused Management to Recover

- We believe that the primary reason for the decline in same-store-sales for Darden's mature brands, even as the sector has recovered, is the quality of the customer experience
- It appears that rather than fixing the underlying issues, Darden's mature brands have resorted to price promotions and menu-expansion which we believe have diluted the value of its brands
- As a separate company, we recommend that Darden-Mature focus on the following:
  - ✓ **Reposition the Olive Garden and Red Lobster brands for long-term profitability and free cash flow generation**
  - ✓ **Optimize current footprint - including closures of underperforming restaurants**
  - ✓ **Use Darden-Mature's cash flow generation to maintain current dividend yield**
  - ✓ **Increase value by recreating a unique guest experience that meets today's customer needs: menu, curb-appeal, price-point range and hospitality experience**
  - ✓ **Fully commit to restoring same-store-sales growth without dependence on excessive price discounting**
  - ✓ **Explore franchising opportunities**

Red Lobster and Olive Garden are among the largest casual-dining brands in the U.S. and require, in our opinion, dedicated management teams focused on restoring the market perception of each brand and rebuilding same-store-sales growth

"Darden-Growth" Needs Creative Flexibility as it Expands

- We share the market's enthusiasm for many of Darden's growth brands and believe that Darden-Growth could represent an excellent opportunity for investors
- We believe that for Darden's growth brands to continue on their current growth trajectory, they require a dedicated, consistent management team that can respond nimbly to the evolution of each brand
- We recommend that Darden-Growth's management team focus on:
  - ✓ **Leveraging strong brands with loyal customer base**
  - ✓ **Expanding opportunistically by adopting a granular growth plan**
  - ✓ **Leveraging niche and differentiated marketing strategies**
  - ✓ **Continue to develop brand awareness**
  - ✓ **Infill additional locations with regional expansion**
- There are numerous examples of emerging restaurant companies who thrived once they became independent of larger "portfolio-style" restaurant operators

> ***"I've never thought that we reached Chipotle, the brand's, full potential during the time with McDonald's…."***
>
> **- Steve Ells, Chairman and Co-CEO of Chipotle Mexican Grill**
>
> **The Huffington Post, July 12, 2013**

Benefits of Creating Two Distinct Restaurant Companies

✓ Focus

- Accountable brand-level management focused on innovation and continuous improvement
- Restore distinct brand identity
- Each business (Darden-Mature Brand Company and Darden-Higher-Growth Brand Company) should have a relentless commitment to:
  - Quality same-store-sales growth
  - Elevating the dining experience of its target customer
  - Effective and efficient management of SG&A

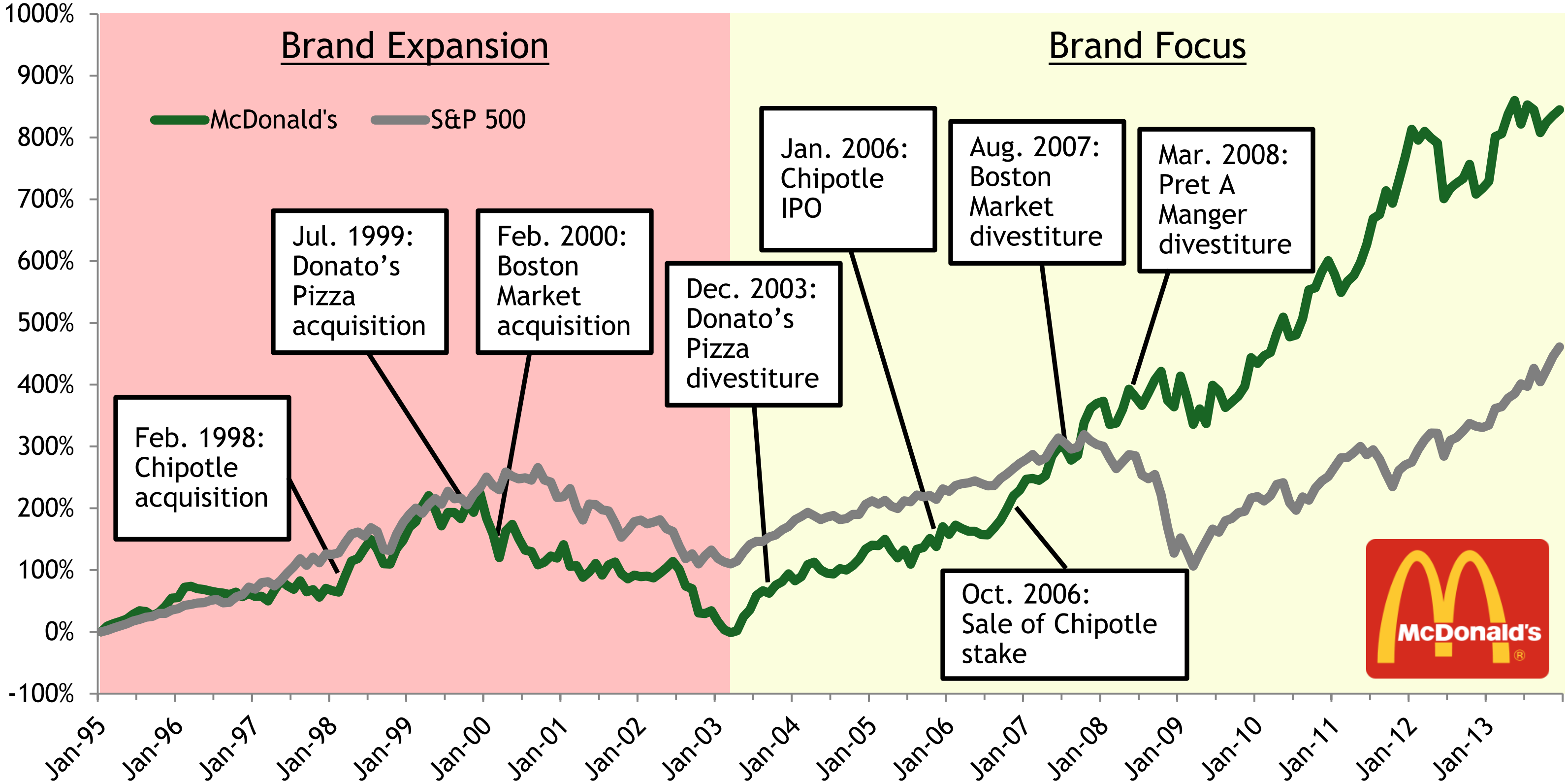
✓ Competitive Agility

- More responsive to the needs of its customers
- Ability to focus on each brand's unique curb appeal, hospitality experience and customer satisfaction
- Greater awareness of competitive dynamics should allow each company to respond faster to the unique challenges of each brand

The restaurant industry has seen a number of leading companies deliver significant shareholder value by divesting or spinning-off smaller brands and refocusing on their core businesses

Case Study: McDonald's Corporation

McDonald's Corporation - Total Shareholder Return

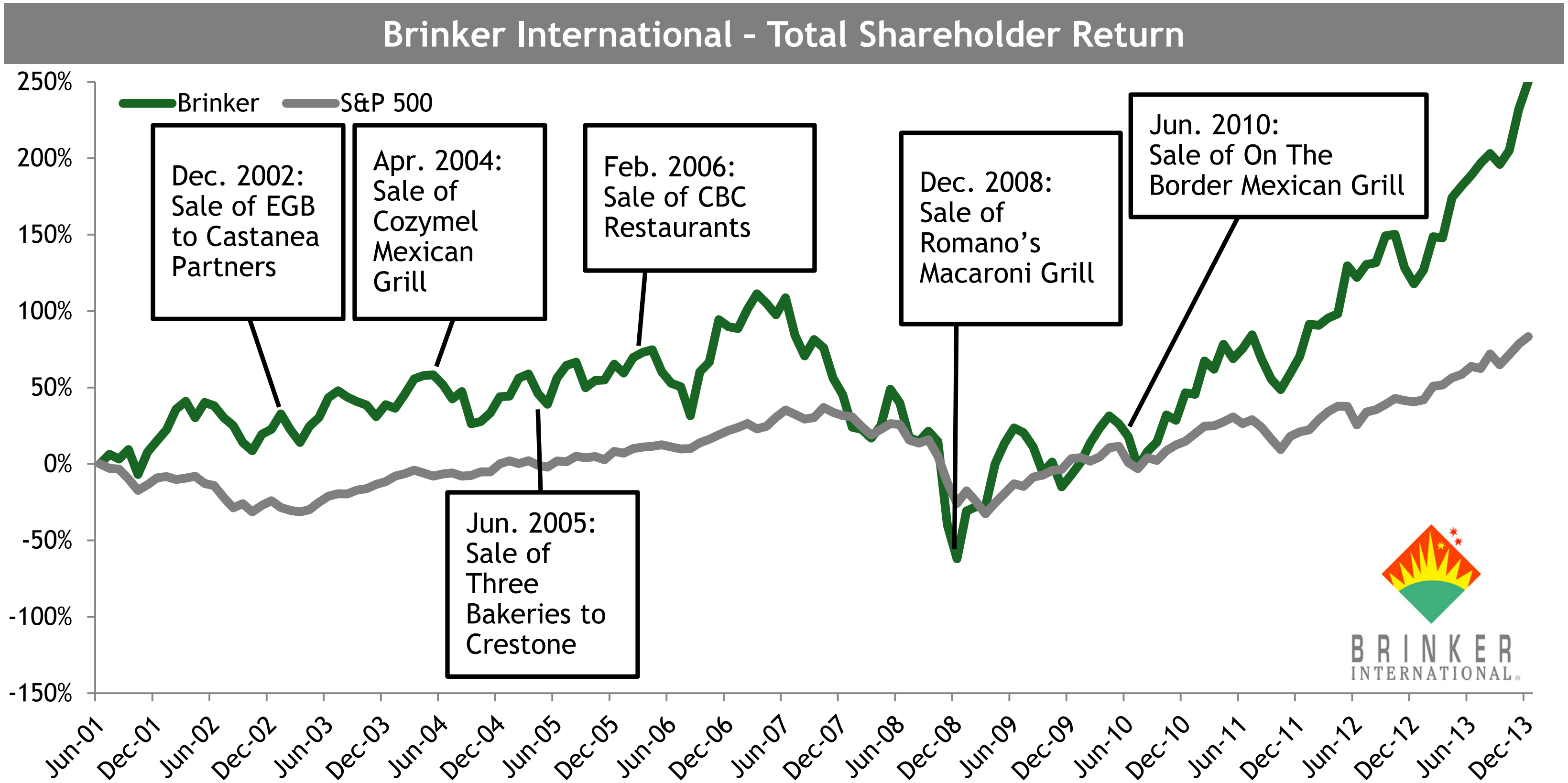


"McDonald's… believes that a separation from Chipotle will afford Chipotle increased flexibility and decision-making power to pursue its own strategic objectives."

McDonald's Corp., McDonald's Announces Commencement of Chipotle Exchange Offer, September 8, 2006

Source: Bloomberg

Case Study: Brinker International



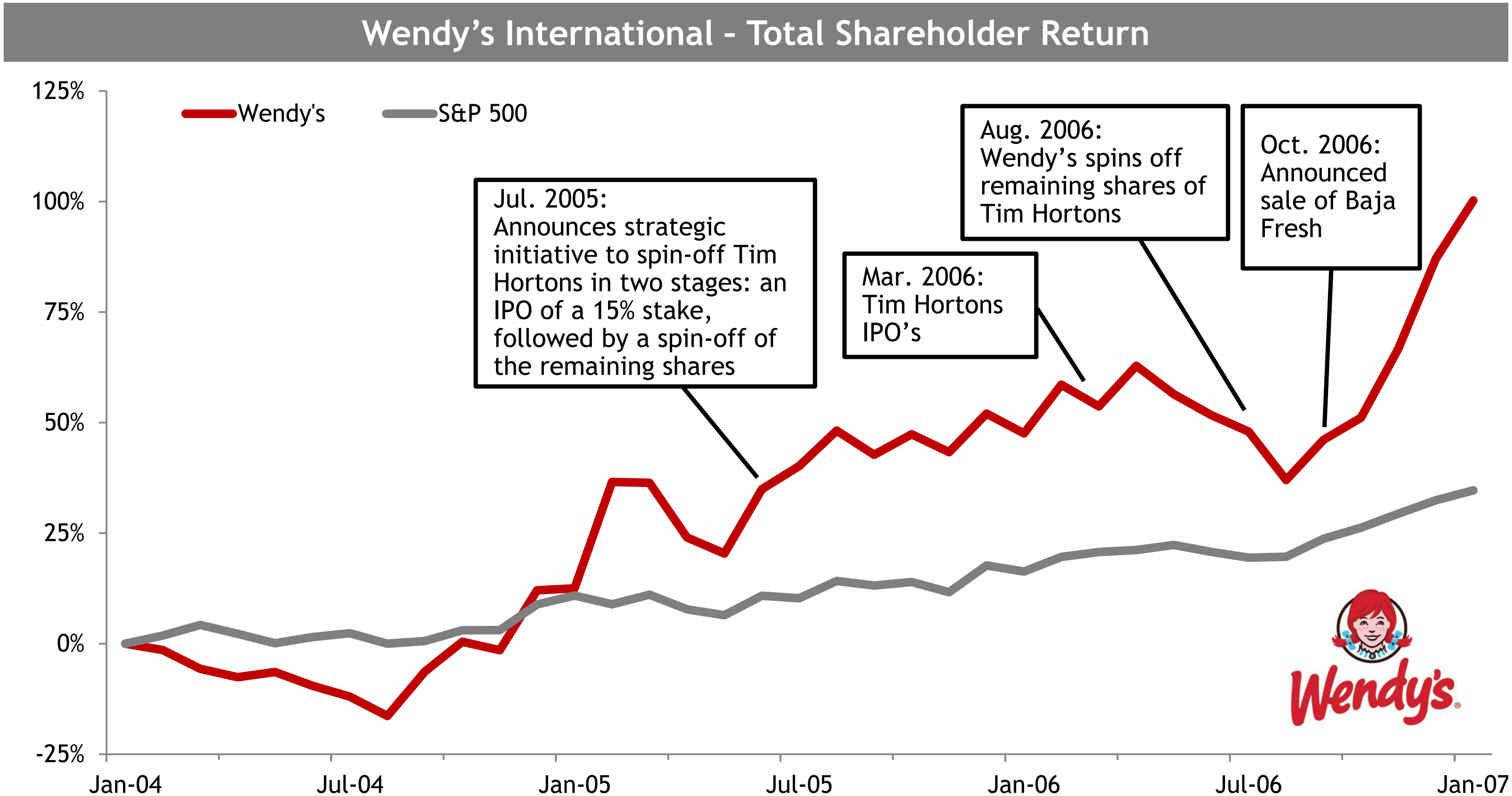
"The market makes managing a portfolio much more difficult. It's hard enough to have one business that's really successful. We looked at the portfolio and said, 'What are the brands we think have the most chance for success in the marketplace and how do we return value to our shareholders?'"

-Doug Brooks, CEO of Brinker International

Dallas Business Journal, July 25, 2010

Source: Bloomberg

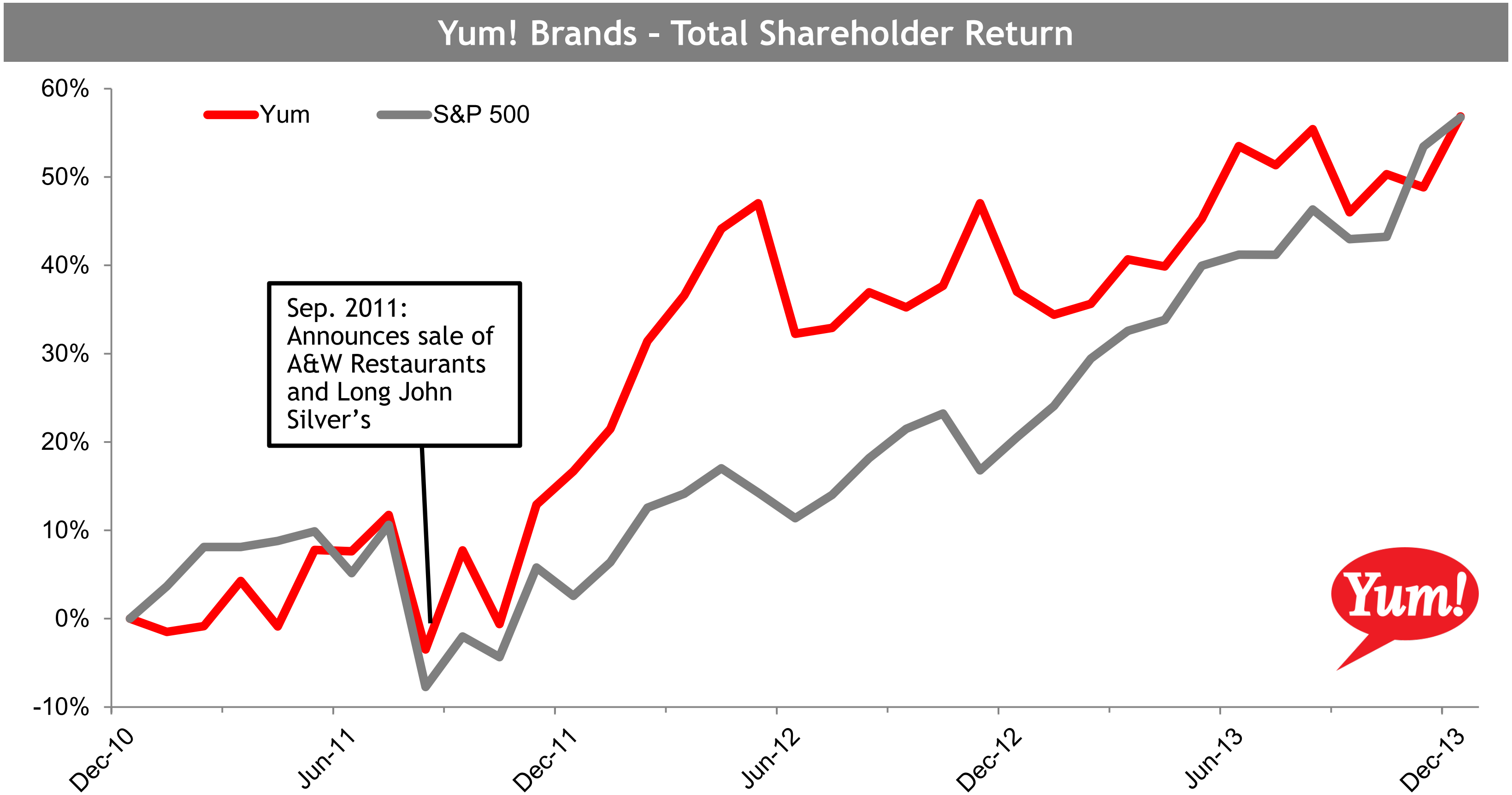
Case Study: Wendy's International



> ***"The spin-off [of Tim Hortons] has the advantages of speed, simplicity and minimal execution risk. It will quickly deliver value to shareholders and enable the management teams of both companies to focus on their respective strategies, operations and growth agendas."***
>
> **Wendy's International, Inc., Press Release, June 27, 2006**

Source: Bloomberg

Case Study: Yum! Brands



"[The decision to sell A&W and Long John Silver's is] a good thing in that allows Yum to focus on their core brands…."

- Steve West, Stifel Financial Corp.

"Yum Brands Puts Long John Silver's, A&W Up for Sale," The Wall Street Journal, June 27, 2006

Source: Bloomberg

IV. Unlock the Value of Darden's Real Estate Assets

Valuation and Execution Alternatives

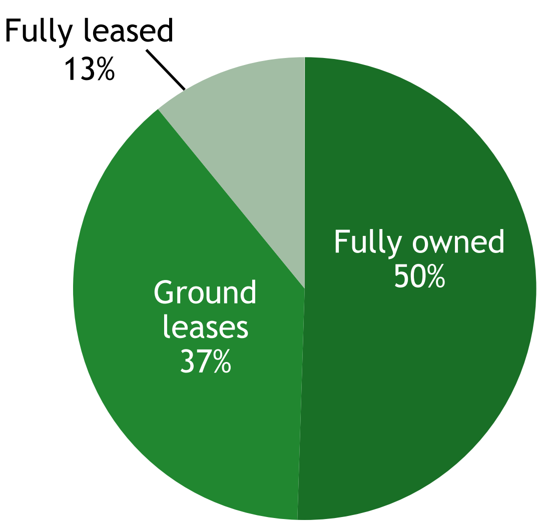
Darden has Significant Owned Real Estate Assets

- Darden owns substantially more real estate than any of its peers, including the land and buildings of approximately 1,048 restaurants and the buildings on an additional 802 ground leased sites
- The vast amount of the Company's owned properties are associated with Olive Garden and Red Lobster locations, while the leased properties are generally associated with Darden's higher-growth brands
- We believe that Darden's stock price currently does not reflect the full value of the Company's significant real estate assets

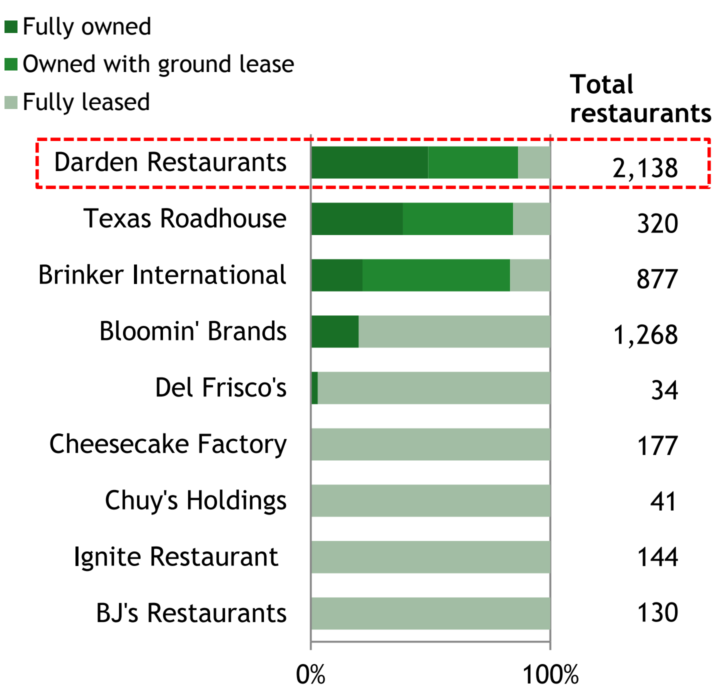
Significant Real Estate Portfolio

Estimated Percent of Locations – FY2013

100% = 2,138 locations



Comparison of Real Estate Ownership



Source: SEC filings

Real Estate Valuation: Significant Hidden Value

- Based on publicly available information, we believe that a tax efficient separation of Darden's real estate into a publicly-traded REIT provides Darden's shareholders with the most immediate and tax efficient path to unlock the value of the Company's substantial real estate assets
  - While we believe the REIT structure is the most efficient alternative, there are a variety of other alternatives available to Darden to unlock the value of its real estate
- We have estimated the value of Darden's real estate assets utilizing the following standard valuation methodologies:
  - ✓ **Public REIT Multiples for Triple-Net Lease Companies**
    - An evaluation of publically-traded REIT multiples, conservatively discounted for tenant concentration, indicates a value range of approximately $3.8 billion to $4.1 billion
  - ✓ **Income Approach**
    - Rent capitalization approach, before and after adjustments for estimated tax leakage, indicates a value range of approximately $3.8 billion to $4.4 billion and $3.4 billion to $4.0 billion, respectively
  - ✓ **Comparable Portfolio Sale Transactions**
    - An evaluation of recent sales of restaurant-focused triple net lease portfolios, before and after adjustments for estimated tax leakage, indicates a value range of approximately $3.7 billion to $4.1 billion and $3.3 billion to $3.7 billion, respectively

We conservatively estimate the value of Darden's fee owned and ground leased real estate to be $4.0 billion (before leakage costs), which we believe is not fully reflected in the Company's current share price

Note: See Appendix for further discussion of real estate valuation

Execution: Alternative Paths for Unlocking Real Estate Value

Alternative	Benefit
REIT Spin-off	Unlocks real estate value on a tax efficient basis
Portfolio Roll-out / Bulk Sale	Establishes demand levels and establishes value benchmark for the portfolio
Partial Sale Leaseback	Demonstrates intrinsic value while minimizing implementation costs

We encourage Darden to explore all options for unlocking the value of its real estate assets

Execution: Preferred Path for Unlocking Real Estate Value

REIT Spin-Off

Description	Benefits
▪ Tax efficient separation of material fee owned and ground leased properties into a public REIT	▪ REIT will likely be conservatively valued by investors at a multiple of 14 – 15 times EBITDA, far in excess of the multiple applicable to Darden's existing operating business ▪ Opportunity for capital appreciation and creation of additional shareholder value over time via acquisitions to diversify the tenant portfolio ▪ Initial single tenant concentration issue will be mitigated in part by well structured, long-term leases with attractive rent step-ups and a solid credit rating ▪ Will not include underperforming restaurants that "Darden-Mature Brands" may want to close or significantly remodel in the near term ▪ REIT investors value predictable rent increases and are willing to lower their return hurdles to receive those low-risk increases, which translates into a premium valuation and increased liquidity that can be used to reinvest in the operating companies ▪ We currently expect that the separation may potentially be structured to be tax free to Darden and its shareholders ▪ Well-developed liability management techniques are available to support optimizing the capital structure of each restaurant entity and the REIT and to minimize debt repayment costs ▪ Some refinancing or amendment of the existing corporate debt obligations may be required

<u>Associated Expenses</u>

- Tax friction should largely be mitigated
- Debt repayment friction should be manageable and are not expected to exceed $3.00 per share to refinance all existing debt obligations

Execution: Alternative Paths for Unlocking Real Estate Value

Sale-Leaseback – Portfolio Roll-Out

Description	Benefits
▪ An initial portfolio of $1 billion in real estate assets could be sold, followed by a series of portfolio transactions over a 24- - 36-month period	▪ The Company can manage the timing of portfolio transactions to ensure that the market does not become saturated ▪ Initial portfolio sale-leaseback could establish demand levels and brand recognition in the market ahead of future transactions ▪ Initial focus would be on fee-owned properties with geographic and brand diversification to create an optimal portfolio and allow the Company to execute at attractive capitalization rates and minimize capital gains taxes, if any ▪ Follow-on sales would likely be valued more aggressively and at a lower capitalization rate ▪ Large transactions could be expected to be executed at cap rates averaging 7.25% or less, while ground-leased properties may be valued at approximately 100 bps higher given incremental risk ▪ We believe that the growth and depth of the public and private triple-net lease REIT market as well as large private fund vehicles are significantly well equipped to own a portfolio of this size over a two- to three-year period at market oriented capitalization rates

<u>Associated Expenses</u>

- Debt prepayment costs are a function of quantum of real estate sold, but are expected to be manageable and should not exceed $3.00 per share to refinance all existing debt obligations
- There are strategies available to the Company to minimize tax leakage, including packaging properties with offsetting tax basis

Execution: Alternative Paths for Unlocking Real Estate Value

Sale-Leaseback – Bulk Sale

Description	Benefits
▪ Large wholesale transaction to one or more large opportunistic investors that would master-lease the entire portfolio with a goal of re-selling on a retail basis	▪ A bulk sale represents the quickest path to generating shareholder value: one transaction could be executed over a 4 - 6 month period ▪ There are several large, opportunistic investors who could consider master leasing the entire portfolio with a goal of reselling on a retail basis ▪ Transfers execution risk to a third party

<u>Associated Expenses</u>

- Debt prepayment costs are a function of quantum of real estate sold but are expected to be manageable and should not exceed $3.00 per share to refinance all existing debt obligations
- There are strategies available to the Company to minimize tax leakage, including packaging properties with offsetting tax basis

Note: A bulk sale may require a modestly higher capitalization rate to execute this transaction given the size of Darden's portfolio

Execution: Alternative Paths for Unlocking Real Estate Value

Sale-Leaseback – Partial Sale

Description	Benefits
▪ Execute a single portfolio sale leaseback in accordance with existing debt obligation covenants and capital structure	▪ Could demonstrate the intrinsic value of Darden's real estate ▪ A smaller portfolio sale, up to $250 million, will provide for optimal execution in a competitive auction process ▪ Nominal expenses under existing debt obligations if the portfolio is less than $250 million

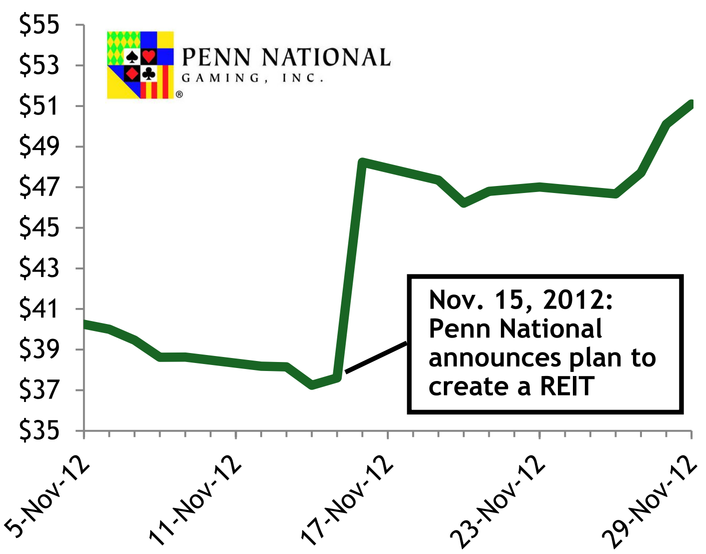
Associated Expenses

- Nominal under existing debt obligations if the portfolio sale is less than $250 million

Penn National REIT Provided a Potential Roadmap for Darden

- ✓ Given the recent success of Penn National Gaming's ("Penn National" or "PENN") spin-off of its specialized gaming properties into Gaming and Leisure Properties ("Gaming and Leisure" or "GLPI"), we recommend that Darden consider using this precedent to seek to unlock the value of its own real estate assets
- ✓ In fact, we believe that Darden's REIT could be more favorably received by institutional investors given Darden's more conventional real estate assets, combined with the solid credit of its operating company and significant opportunities for diversification

Penn National - Price per Share



"We view the transaction positively, as it has two important effects on valuation. First, it unlocks the value of the real estate portfolio, which we believe is understated not only in Penn but in other gaming companies as well. Second, Penn will be returning capital to shareholders in the form of a one-time dividend and recurring dividends."

RBC Capital Markets, November 16, 2012

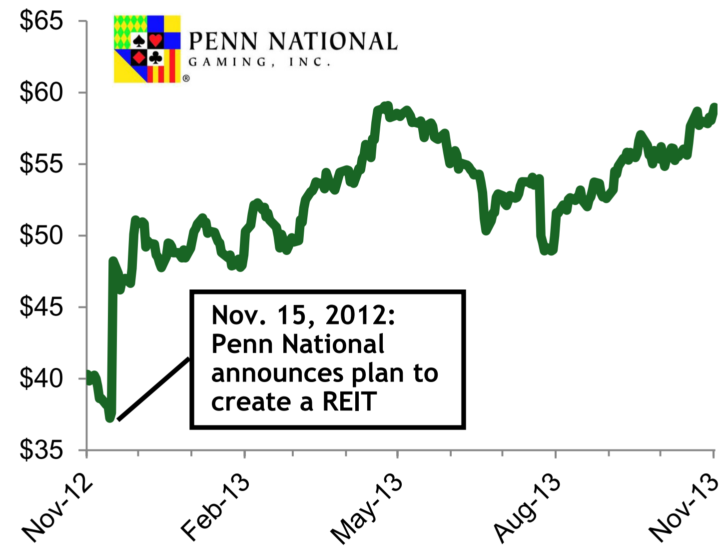
Source: Capital IQ

Case Study: Penn National

- Penn National owns, operates or has ownership interests in gaming and racing facilities with a focus on slot machine entertainment
- On November 15, 2012, PENN announced that it intended to separate its gaming operating assets and real property assets into two publicly traded companies - one an operating company and the other a REIT
- Shareholders of PENN received a special dividend of $5.35 plus one share in the newly created REIT
- PENN's announcement was significant because the IRS issued a private letter ruling allowing the use of a tax-free spin-off to create a REIT under the particular circumstances of that transaction
- Although private letter rulings may not be relied on as precedent, the IRS letter to PENN has opened the door for other companies with large real estate assets to consider a similar approach to potentially monetizing those assets and creating significant shareholder value
- **Simply by announcing their intention to create a REIT, PENN created approximately $850 million of value for shareholders – or a one-day increase of 28.2%**

From the November 15, 2012 announcement until the November 4, 2013 completion of the real estate spin-off, PENN's share price increased 56.8%

Penn National - Price per Share



"This process will unlock the tremendous value of our real estate portfolio. This is just strictly our view of how we can best take the assets we have and make the most of them."

- Peter Carlino, CEO of Penn National

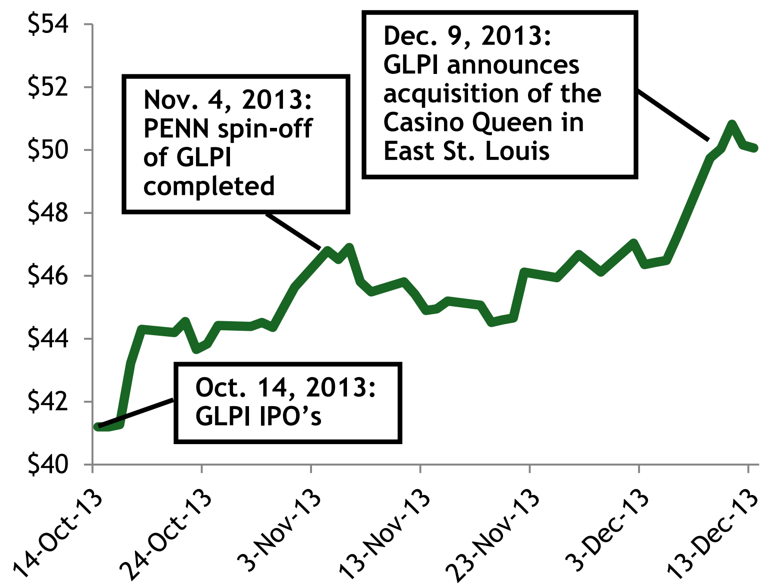
Conference Call, November 15, 2013

Source: Capital IQ

Case Study: Penn National Gaming (cont'd)

- PENN's REIT spin-off, Gaming and Leisure, began trading on October 14, 2013
- Current enterprise value of $6.8 billion and market cap of $4.7 billion
- 2014 EV/EBITDA of 15.7x compared to a median of 14.0x and a mean of 13.7x for the sector
- Current dividend yield is 6.55% compared 6.00% for the sector
- Since trading GLPI's shares are up 22.2%
- On December 9, 2013, GLPI announced their first acquisition when they acquired a riverboat casino complex
- PENN's leases are standard 15-year triple-net leases with strong corporate coverage, 1.8x plus modest adjustments to rent every five years, which makes GLPI attractive to investors looking for annuity returns and upside resulting from inflation protection and further diversification

Gaming and Leisure - Price per Share



> ***"This deal [i.e. acquisition of riverboat casino complex] serves as a case study that GLPI can roll up smaller, single-asset properties…."***
>
> **- Joel Simkins, Credit Suisse**
>
> **Las Vegas Review-Journal, December 9, 2013**

Source: Capital IQ; Bank of America Merrill Lynch, November 25, 2013

Case Studies: Loblaw Companies and Canadian Tire

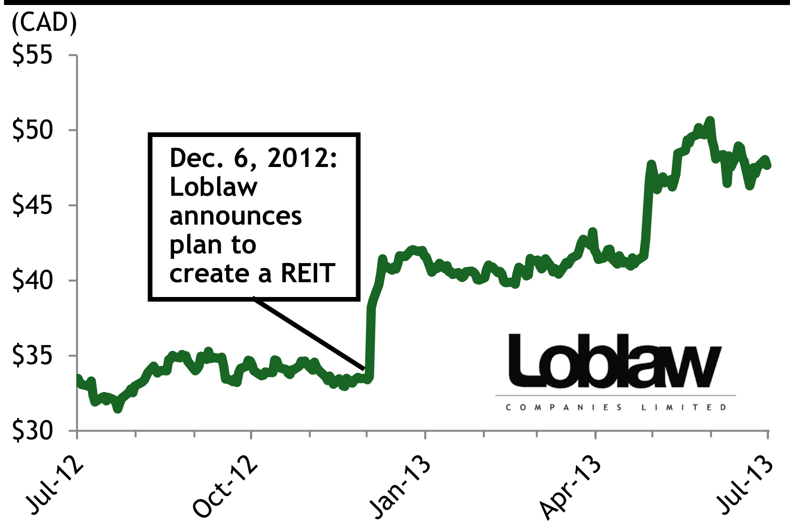
Loblaw Companies

- On December 6, 2012, Loblaw announced that it would spin off its captive REIT into a new company
- Immediately following the announcement, the stock traded up 13.7%
- When the REIT IPO'd on July 5, 2013, Loblaw's price per share had appreciated 41.3% since closing price prior to the December 6th announcement

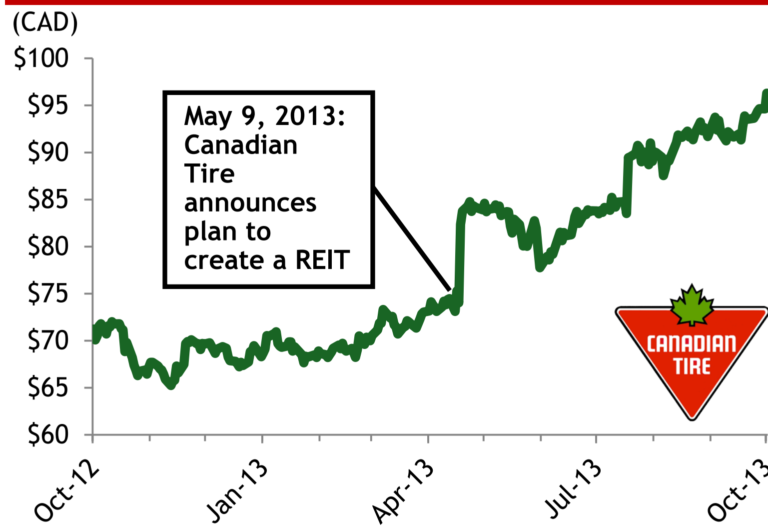
Canadian Tire

- On May 9, 2013, Canadian Tire announced that it would spin off its real estate holdings in a REIT
- Shares of the company appreciated 11.2% immediately following the announcement
- Canadian Tire's share price increased 30.1% from the closing price prior to the May 9th announcement to the REIT's October 23, 2013 IPO date

Loblaw- Price per Share



Canadian Tire- Price per Share



Although the REIT structures utilized by Loblaw and Canadian Tire are not available under U.S. REIT rules, these transactions demonstrate the profound revaluation of a company's stock by unlocking the value of real estate

Source: Capital IQ; SEC filings

V. Reduce Operating Expenses

Perspectives on Value Creation

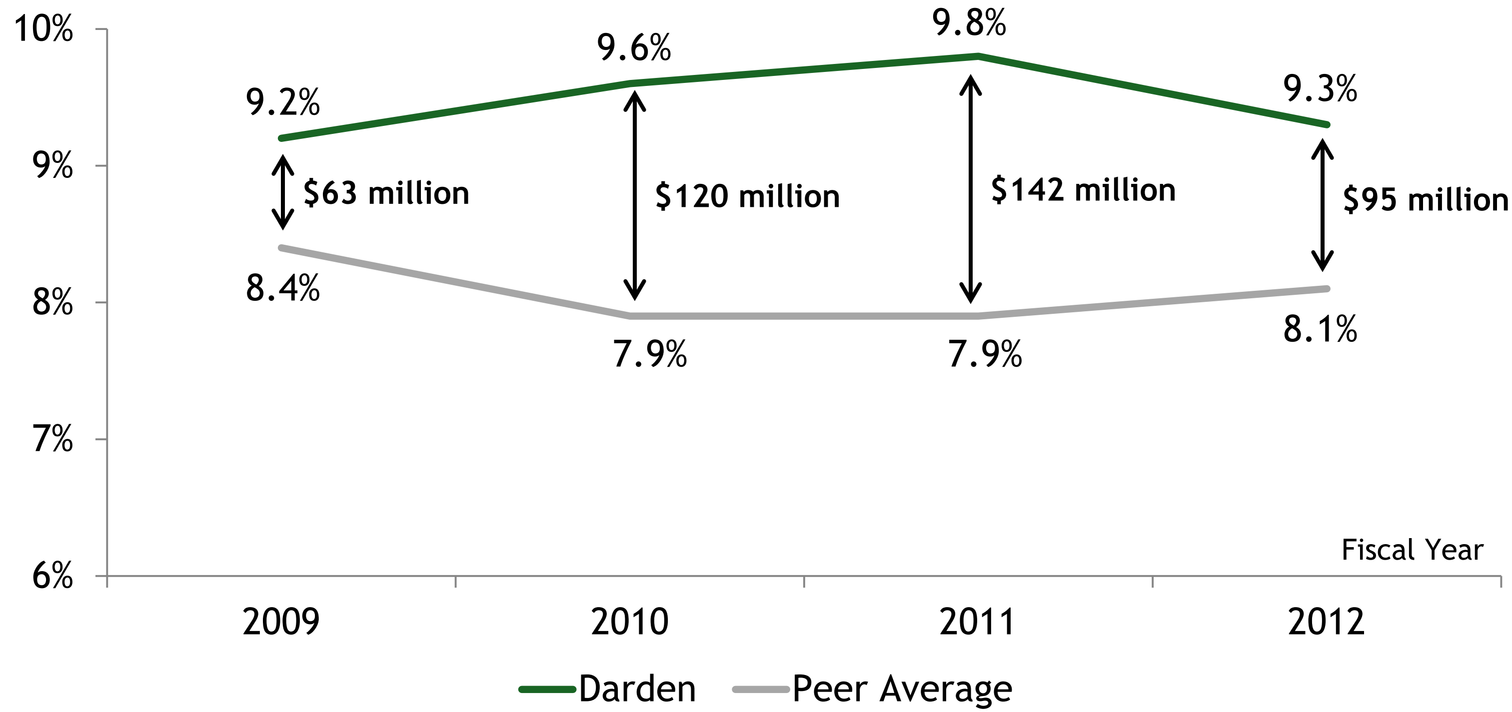
Reduce Operating Expenses

- We believe that Darden has numerous available opportunities to meaningfully reduce its operating expenses
- For example, simply by lowering its advertising expense (as a percent of revenue) to be in-line with its peers, we believe that Darden can reduce its operating expenditures substantially
- We believe that the creation of separate operating entities also represents a unique opportunity to further reduce operating expenses, streamline operations and eliminate corporate functions that duplicate brand-level work
- While we were encouraged by Darden's recent announcement that it is "taking steps that will reduce its annualized operating support spending by approximately $50 million" – a helpful start toward addressing the cost reductions we recommended to the Company's management team – we believe that Darden can implement additional expense reductions of a greater scale and in a far more expeditious timeframe

> ***"[T]he company's $50 million reduction out of $848 million total SG&A in F13 was generally not considered enough."***
>
> **JP Morgan, October 8, 2013**

Lower SG&A to Peer-Average

SG&A as a % of Revenue



If Darden's SG&A was in-line with its peers, the Company could have saved $95 million in FY 2012 alone

Source: SEC filings
Note: See Appendix for list of peer group companies

Reduce and Refocus Advertising Spending

- In order to increase operating margins, we recommend that Darden abandon its outdated and expensive advertising strategy
- Darden spent 4.8% of revenues on advertising expenses in their most recent fiscal year while its peers spent 2.5% on average
- We recommend that each Darden brand optimize its advertising spending through direct targeting (as other brand experience companies have successfully done), such as loyalty cards, direct e-mail and social media
- **By replacing Darden's TV advertising campaigns with more effective and cost efficient direct advertising programs, we believe that the Company's reduced advertising spending should not translate into lower top-line growth**

> *"Olive Garden has struggled to increase sales the past year, as diners continue to follow deals. Meanwhile, its competitors have invested in the quality and execution of their food, so Olive Garden is "suddenly not as competitive," says John Glass, restaurant analyst at Morgan Stanley. Earlier this year, Olive Garden's marketing focused mainly on the taste of the food and new dishes. Reversing course, it is now advertising deals like a $6.95 unlimited soup, salad and breadsticks lunch special."*
>
> The Wall Street Journal, December 21, 2011

By bringing its advertising spend in-line with its peers, we estimate that Darden could reduce expenses by up to $150 million annually

VI. Potential Impact on Darden's Share Price

Perspectives on Value Creation

Potential Impact on Shareholder Value

- The successful implementation of our first two recommendations will reshape Darden's operations into two "asset light" restaurant operating companies and also unlock the value of Darden's real estate assets
- Following separation of the restaurant operations, we propose a reallocation of debt to maintain the investment grade rating (BBB-) at Darden-Mature Brands – which should not adversely affect the Company's cost of debt, access to capital or ability to maintain its current dividend yield

If our recommendations are fully implemented, we estimate that Darden's common stock would be valued between $71 to $80 per share, an increase of up to 73% over the closing price on October 8, 2013* of $46.28 per share

* Day prior to Wall Street Journal article disclosing the Barington Group's stake in Darden

Illustrative Pro Forma Estimates

LTM THROUGH AUGUST 2013 $ in millions	FY2013 Consolidated Company	FY2013 Darden-Mature	FY2013 Darden-Higher-Growth	FY2013 Real Estate Entity
Revenue	$8,675.6	$6,260.4	$2,415.2	$351.0
Cost of sales				
Cost of goods	2,668.8	1,925.8	743.0	--
Labor	2,760.2	1,991.8	768.4	--
Other restaurant operating	1,225.8	884.5	341.3	--
Total leases	157.7	308.3	118.9	81.5
Total cost of sales	6,812.5	5,110.5	1,971.6	81.5
Gross profit	1,863.1	1,149.9	443.6	269.5
SG&A	858.8	607.1	234.2	17.6
EBITDA	1,004.3	542.9	209.4	252.0
EBITDAR	1,162.0	851.2	328.4	--
Rent as percent of EBITDAR	14%	36%	36%	--
Estimated Ratings	Baa3 / BBB-	Low BBB	High BB	High BB to Low BBB

Our plan creates two focused operating companies with strong economics and a tax-advantaged realization of the value of the Company’s real estate assets

Source: SEC Filings; Capital IQ; Barington analysis

Pro Forma Valuation

	Comparable Company Trading Multiples		Estimated Company Performance		Estimated Enterprise Value ($ in millions, except per share)	
	Median	Mean	($ in millions)		Based on Median Multiple	Based on Mean Multiple
Mature Brands Company						
EV/LTM EBITDA	10.3x	10.1x	LTM EBITDA =	$542.9	$5,591.6	$5,483.1
Higher Growth Brands Company						
EV/LTM EBITDA	11.4x	13.7x	LTM EBITDA =	209.4	2,387.6	2,869.3
Real Estate Holdings						
Direct Capitalization Approach - Net of Estimated Tax Leakage					3,420.0	3,960.0
Sale Transactions - Net of Estimated Tax Leakage					3,330.0	3,690.0
Triple Net REIT Trading Comps					3,855.4	4,069.5
Average					3,535.1	3,906.5
Total Estimated Enterprise Value					11,514.4	12,258.9
+ Cash					108.9	108.9
- Debt					(2,757.1)	(2,757.1)
Estimated Equity Value					$8,866.2	$9,610.7
Estimated Equity Value per Share (pre adjustments)					$67.90	$73.61
Estimated Leakage Cost per Share					($3.00)	($1.50)
Value from Operating Expense Reduction per Share (1)					$6.00	$8.00
Net Estimated Equity Value per Share					$70.90	$80.11
Premium to October 8, 2013 Price					53%	73%

Together, we believe our proposed recommendations can achieve an estimated value of $71 – $80 per share

Source: SEC Filings; Capital IQ; Barington analysis
(1) 7.5x multiple applied to $100 – $150 million cost savings. Based on NPV of projected flat tax adjusted savings

VII. Addressing Potential Concerns

Perspectives on Value Creation

Concern 1: *"Existing synergies would be lost"*

- At an investor-day presentation, Darden's management was asked if they would consider separating their core brands (Olive Garden and Red Lobster) and Darden's higher-growth brands – here was their answer:

"We think that there's tremendous synergy, a lot of it on the supply chain, a lot in other places. We think that we'll always look at various possibilities. And we've looked at how that might look as a stand-alone business, it would have a lot of vulnerabilities. We think there are tremendous synergies."

- Clarence Otis, Chairman and CEO of Darden Restaurants

"[W]e don't talk about it frequently. But there's also increasing synergy coming from the specialty brands to the large brands. So the corporate executive chef from Capital Grille recently moved to Olive Garden to help them elevate culinary innovation. Several of the dishes that I've showed yesterday, they were just examples, but they are representative of the culinary expertise and capability that we can bring to bear across all 8 brands in the category that can have - in our portfolio, that can have a big competitive advantage in the category for us. So there are synergies both ways."

-Andrew Madsen, President, COO and Director of Darden Restaurants

Darden Restaurants Analyst/Investor Day, February 26, 2013

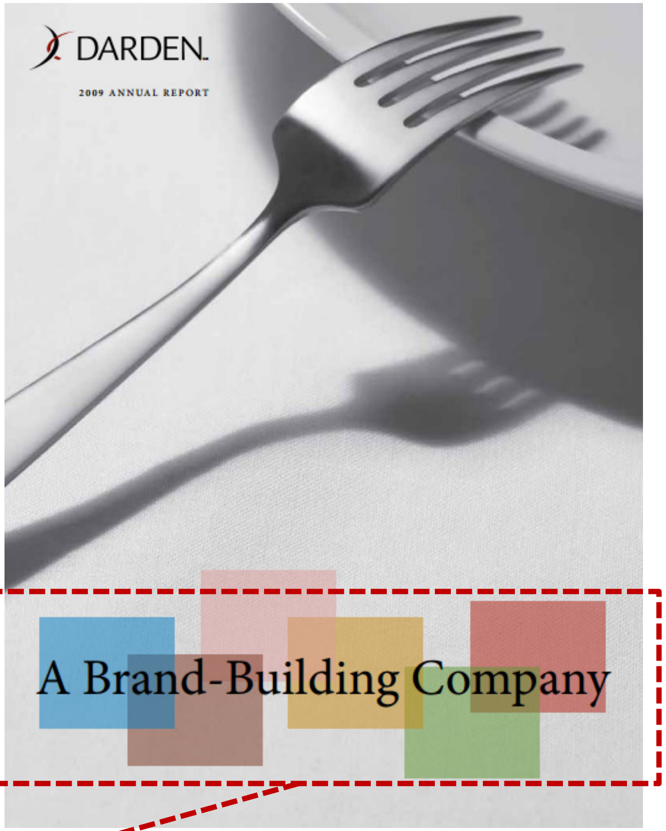
Source: Capital IQ Transcripts

Concern 1: *"Existing synergies would be lost" (cont'd)*

"[E]ven on the culinary side going the other direction, you met Red Lobster's Executive Chef, Chef LaDuke last night. He's going into Capital Grille to replace Jim, who came out of Capital Grille into Olive Garden. He wanted to show that pork chop last night."

-Clarence Otis, Chairman and CEO of Darden Restaurants

Darden Restaurants Analyst/Investor Day, February 26, 2013



We think the "tremendous synergies" Darden's management team points to are exaggerated and that instead of attempting to build a multi-brand conglomerate they should focus their efforts on creating long-term value for shareholders

Source: Capital IQ Transcripts

Concern 1: *"Existing synergies would be lost" (cont'd)*

- At an investor-day presentation, Darden's management was asked about efficiencies of scale and how they compare to their competitors; their response was:

> ***"Yes, I think it's hard to define with exact precision."***
>
> **- C. Bradford Richmond, CFO of Darden Restaurants**
>
> **Darden Restaurants Analyst/Investor Day, February 26, 2013**

THE FACTS

Darden has:

- ☒ Lower EBITDAR margin compared to peers
- ☒ Higher than average SG&A as a percent of revenue
- ☒ Higher SG&A spend per restaurant
- ☒ Higher SG&A spend per employee
- ☒ Among the lowest same-store-sales growth
- ☒ The highest ad-spend as a percentage of revenue
- ☒ COGS as a percentage of revenue remains flat despite revenue expansion

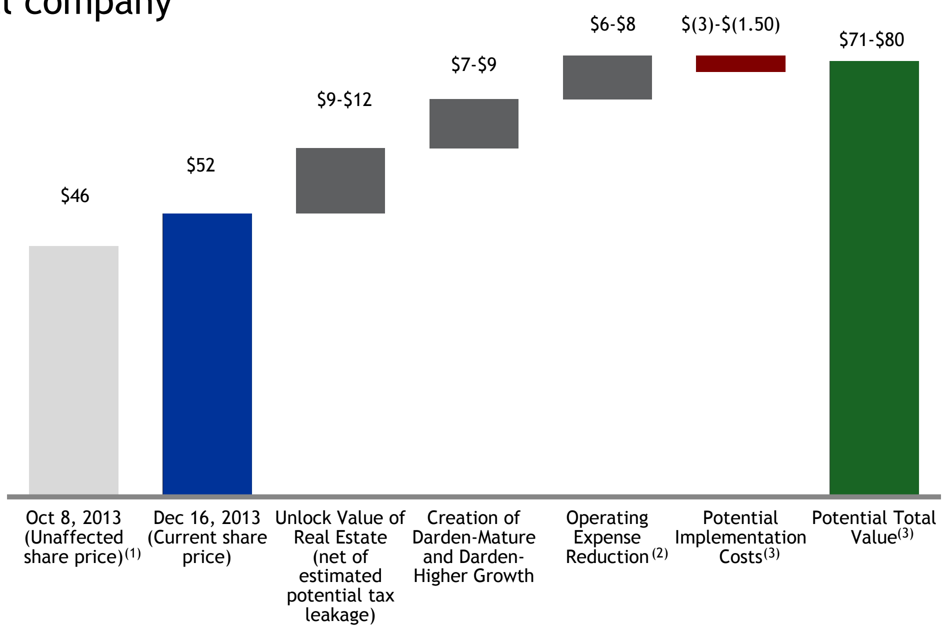
- Any benefits from collaboration or other "synergies" that Darden's management team believes are meaningful could be maintained through a strategic alliance agreement or similar arrangement between the two restaurant companies

We do not believe these elusive synergies are a reasonable justification for failing to explore all opportunities to improve shareholder value

Source: Capital IQ Transcripts

Concern 2: *"Overall valuation would remain flat"*

- ✓ The long-term benefit of creating two separate companies comes from greater focus and better execution
- ✓ We believe "Darden-Mature" could continue to be valued on the basis of its dividend yield similar to how Darden is currently valued, while "Darden-Higher-Growth" could be valued as a growth equity
- ✓ We believe that the persistent problems at Olive Garden and Red Lobster have caused investors to under-appreciate the value of the higher-growth brands which are "hidden" within the overall company



We believe that overall valuation could improve dramatically as a result of the implementation of our recommendations

Source: SEC Filings; Capital IQ; Barington analysis
(1) Day prior to Wall Street Journal article disclosing the Barington Group's stake in Darden
(2) 7.5x multiple applied to $100 - $150 million of total cost savings; based on NPV of projected flat tax adjusted savings
(3) Potential costs of up to $3.00 per share due to refinancing; the low and high end of potential value range utilize $3.00 and $1.50 per share, respectively
Note: Based on Barington's estimate of possible effect on value

Concern 3: *"Monetizing real estate overwhelmed by friction costs"*

We recognize that, in certain of our value creation alternatives, existing debt obligations may need to be refinanced

- Based on our review of Darden's debt documents, we estimate that a comprehensive refinancing of Darden's $2.2 billion of public and private notes could result in costs in the range of $200 - $390 million, or approximately $1.50 to $3.00 per share, which costs have been integrated into our analysis
- Barington believes there are alternative strategies available that can reduce premiums or avoid refinancing existing debt altogether
- Barington continues to evaluate Darden's options on how to best deal with its indebtedness including:
  - Exchange offers
  - Cash tender offers or open market repurchases
  - Credit agreement amendments
  - Consent solicitations to increase operating and financial flexibility

We believe that friction costs will be no more than $3 per share, compared to an additional $24 – $29 per share in shareholder value created from our proposed strategies

Concern 4: *"Higher-Growth Brands would be vulnerable on their own"*

Slide from Darden Security Analysts Meeting, February 2013

"LongHorn, with its strong unit growth expectations, they actually fund their own growth. They do not use cash from Darden. And so they're in a self-funding mode, which is great…. And then the Specialty Restaurant Group. They're self-funding as well…. So we actually like the dynamics where they are, that those brands fund their growth."

- C. Bradford Richmond, CFO of Darden Restaurants

Analyst/Investor Day, February 24, 2012

"[T]he Specialty Restaurant Group now has an even stronger growth profile. And… we expect the Specialty Restaurant Group to achieve sales of $1 billion this fiscal year and grow 17% to 19% after that, while generating enough cash to fund its own growth."

- Andrew Madsen, former COO of Darden Restaurants

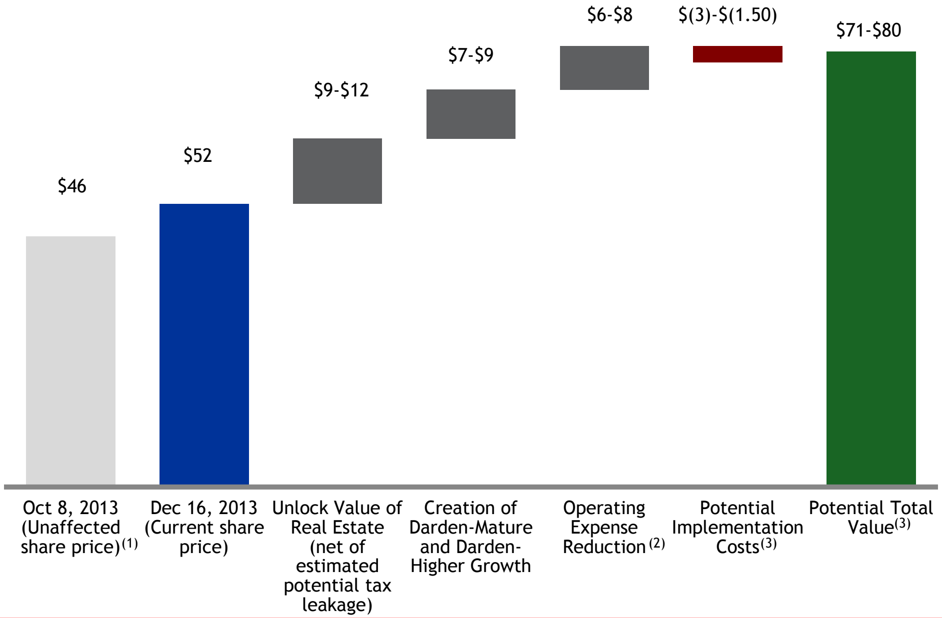
Darden Restaurants Analyst/Investor Day, February 25, 2013

Darden's management team acknowledges that the higher-growth brands are self-funding

Source: Capital IQ Transcripts

Conclusion: The Value Creation Opportunity

- We believe that our recommendations will improve focus and execution at both Darden's mature and higher-growth brands
- We recommend that Darden take advantage of current, extremely favorable capital market conditions and unlock the considerable value of its real estate assets
- Darden has many options available to reduce expenses to improve shareholder value
- We look forward to discussing our plan with Darden and our fellow shareholders



We believe that Darden has an exceptional opportunity to create long-term value for its shareholders

Source: SEC Filings; Capital IQ; Barington analysis
(1) Day prior to Wall Street Journal article disclosing the Barington Group's stake in Darden
(2) 7.5x multiple applied to $100 - $150 million of total cost savings; based on NPV of projected flat tax adjusted savings
(3) Potential costs of up to $3.00 per share due to refinancing; the low and high end of potential value range utilize $3.00 and $1.50 per share, respectively
Note: Based on Barington's estimate of possible effect on value

VIII. Appendix

Peer Group Selection and Real Estate Valuation Details

Selected Peer Group

- Darden-Mature Brand peers were selected based off of an enterprise value over $2 billion and steady revenue growth under 15%
- Higher Growth Brand peers were selected based off of an enterprise value under $2 billion and revenue growth over 25%

Darden-Mature Brand Peers	
BLOOMIN' BRANDS INC	▪ EV: $4,277 million ▪ '10-'12 Rev. Growth: 10% ▪ LTM EV/EBITDA: 10.5x ▪ Key Brand: Outback Steakhouse
BRINKER INTERNATIONAL	▪ EV: $3,878 million ▪ '10-'12 Rev. Growth: 2% ▪ LTM EV/EBITDA: 9.5x ▪ Key Brand: Chili's
The Cheesecake Factory	▪ EV: $2,419 million ▪ '10-'12 Rev. Growth: 9% ▪ LTM EV/EBITDA: 10.3x ▪ Key Brand: The Cheesecake Factory

Darden-Higher-Growth Brand Peers	
BJ's	▪ EV: $805 million ▪ '10-'12 Rev. Growth: 38% ▪ LTM EV/EBITDA: 9.8x
Chuy's Mexican Food	▪ EV: $539 million ▪ '10-'12 Rev. Growth: 82% ▪ LTM EV/EBITDA: 21.8x
Del Frisco's Double Eagle Steak House	▪ EV: $496 million ▪ '10-'12 Rev. Growth: 43% ▪ LTM EV/EBITDA: 12.8x
Ignite Restaurant Group	▪ EV: $433 million ▪ '10-'12 Rev. Growth: 32% ▪ LTM EV/EBITDA: 15.4x
Texas Roadhouse	▪ EV: $1,967 million ▪ '10-'12 Rev. Growth: 26% ▪ LTM EV/EBITDA: 11.7x

Source: Capital IQ

Real Estate Valuation: Public REIT Multiples

- The public triple-net REIT sector currently trades at a mean 16.9x LTM EBITDA
- Currently there are no “pure-play” comparable restaurant REITs with single-tenant exposure
  - The closest comparables, Getty Realty Corp. and Gaming and Leisure Properties, Inc., trade at modest premiums to the sector
- Although we expect Darden REIT to be valued at a modest discount to the sector due to “single-credit tenant” risk, we note that there is substantial demand for Darden’s real estate assets and that part of the discount could be mitigated by long-term leases, rent step-ups and the high quality credit of the tenant
- Most REITs in the sector have average lease terms of less than 20 years and with less than 50% of their tenants rated investment grade

Valuation Based On Comparable Public REITs

Mean EV/LTM EBITDA: 16.9x

	Discount Range		Assumed REIT	Enterprise Value ($ in millions)	
	Low	High	EBITDA ($ in millions)	Low	High
EV/LTM EBITDA	10.0%	5.0%	LTM EBITDA = $252	$3,840.8	$4,054.2

As a publicly traded triple-net restaurant REIT, Darden REIT could be expected to have an IPO value of between $3.8 billion and $4.1 billion

Source: Capital IQ; SNL Financial; SEC filings

Comparable Public REIT Multiples

Triple-Net REITs with Signifiant Restaurant Exposure

($ in millions)

Comparable Company	Share Price	Market Cap	Adj. Net Debt	Preferred Equity	Enterprise Value	Dividend Yield	EBITDA LTM	EBITDA 2013E	EBITDA 2014E	EV / EBITDA Multiples LTM	EV / EBITDA Multiples 2013E	EV / EBITDA Multiples 2014E
American Realty Capital Properties[1]	$12.69	$9,345	$11,133	$1,073	$21,551	7.36%	NMF	NMF	$1,486	NMF	NMF	14.5x
National Retail Properties, Inc.	30.71	3,829	1,517	575	5,921	5.20%	326	340	370	18.1x	17.4x	16.0x
Realty Income Corporation	37.19	7,361	4,539	629	12,530	5.83%	613	688	800	20.4x	18.2x	15.7x
Spirit Realty Capital, Inc.	9.80	3,659	3,564	0	7,223	6.64%	308	402	517	23.4x	18.0x	14.0x
					Mean	6.26%	416	477	793	20.7x	17.9x	15.0x
					Median	6.23%	326	402	659	20.4x	18.0x	15.1x

Other Triple-Net REITs

($ in millions)

Comparable Company	Share Price	Market Cap	Adj. Net Debt	Preferred Equity	Enterprise Value	Dividend Yield	EBITDA LTM	EBITDA 2013E	EBITDA 2014E	EV / EBITDA Multiples LTM	EV / EBITDA Multiples 2013E	EV / EBITDA Multiples 2014E
Agree Realty Corp.	$28.05	$384	$184	$0	$568	5.83%	$33	$35	$40	17.2x	16.4x	14.0x
EPR Properties	49.90	2,595	1,504	346	4,445	6.35%	287	292	342	15.5x	15.2x	13.0x
Gaming and Leisure Properties, Inc	50.82	4,706	2,124	0	6,830	6.55%	NMF	71	434	NMF	95.7x	15.7x
Getty Realty Corp.	18.14	618	159	0	777	4.35%	55	57	54	14.1x	13.5x	14.3x
Lexington Realty Trust	10.39	2,442	1,709	94	4,244	6.32%	312	318	375	13.6x	13.4x	11.3x
Select Income REIT	27.33	1,385	443	0	1,828	6.71%	131	140	167	14.0x	13.1x	10.9x
					Mean	6.02%	164	152	236	14.9x	27.9x	13.2x
					Median	6.33%	131	106	255	14.1x	14.4x	13.5x
				Combined Mean		6.11%	258	260	459	17.1x	24.5x	13.9x
				Combined Median		6.33%	298	292	373	16.4x	16.4x	14.2x

Source: Capital IQ; SNL Financial; Company reports
(1) EV and 2014E accounts for recent CapLease and Cole mergers

Real Estate Valuation: Income Approach

- An analysis of market rents, investor return requirements and supportable rents based on sales productivity suggests a valuation range for the fee owned and ground leased real estate between $3.4 billion and $4.0 billion

Key Assumptions

- Average rent across Darden's owned real estate footprint is likely to approximate $27 per square foot, based on market comparable rents
- Owned real estate square footage is approximately 13 million (1,850 locations at an average 7 thousand square feet per location), including 7 million square feet of fully owned and 6 million square feet of ground leased restaurants
- Given the high level of average sales per unit, our supportable rent analysis suggests that the Darden portfolio is in fact capable of supporting much higher rents than those utilized in our valuation
- Cap rates are estimated to be 6.75% to 7.75% for fee-owned locations and 100 bps higher for ground lease locations, based on current market conditions and initial yield requirements(2)

Income Capitalization Approach to Value
$ in billions

Fee Owned Restaurants

Cap Rate	6.75%	7.25%	7.75%
Estimated Value	$3.0	$2.8	$2.6

Leasehold Value of Ground Leased Units

Cap Rate	7.75%	8.25%	8.75%
Estimated Value(1)	$1.4	$1.3	$1.2

Gross Portfolio Value	$4.4	$4.1	$3.8
Estimated Tax Leakage(3)	$0.44	$0.41	$0.38
Net Portfolio Value	$3.96	$3.69	$3.42

Estimated average rents for restaurants in Darden's markets suggest that the fee owned and ground leased real estate is worth between $3.4 billion and $4.0 billion net of tax leakage

(1) Ground lease restaurant valuation deducts estimated valuation of $81 million in ground lease payments from rental income; valuation based on $81 million divided by applicable cap rate
(2) Capitalization rates assume 20-year triple-net, bond-type leases are executed with annual 2% step-ups in base rent
(3) 10% tax leakage estimate applied to gross portfolio value due to lack of availability of tax basis information; tax leakage may be partially offset by deductions from debt repurchased at prices exceeding par

Supportable Rent Analysis Reinforces Our Valuation Assumptions for the Income Approach

- In addition to evaluating rent comparables, real estate investors will evaluate EBITDAR-to-rent coverage and supportable rents based on sales productivity levels for the portfolio
- At 5.5% to 6.0% rent-to-sales, the implied supportable rent for the portfolio could be between $31.00 and $34.00 per square foot
- New sale leaseback transactions for investment grade credits are often underwritten with rents that exceed 6% of restaurant sales
- We believe our estimated market gross rent assumption of $27.00 is well below supportable rent, based on a very conservative rent-to-sales ratio

Key Assumptions

- Our base case market rent assumption of $27.00 per square foot conservatively implies just under 5.0% of sales
- We estimate that Darden restaurants generate an average of approximately $565 per square foot in sales
- Investors typically seek 2.0x EBITDAR rent coverage
- Base case corporate EBITDAR coverage at our estimated market rent is projected to be 2.72x

Supportable Rent Analysis

Rent / Sales	5.50%	5.75%	6.00%	Estimated Rent
Rent per Square Foot	$31.00	$32.50	$34.00	$27.00
Corporate EBITDAR Rent Coverage	2.42x	2.33x	2.25x	2.72x

Note: Assumes 13 million square feet for the fee owned and ground leased real estate

Real Estate Valuation: Portfolio Sale Transactions[1]

Key Assumptions:

- We analyzed transactions for larger portfolios of restaurants structured as sale leasebacks
- The median transaction price across selected portfolio transactions is ~$388 per square foot; for illustration purposes we apply $385 per square foot at the midpoint and assume +/- $15 at the high and low-ends of the valuation range
- Given the lack available breakout between fee owned and ground leased real estate with these portfolios, we conservatively assume the selected portfolios are comprised 100% of fee owned real estate
- We then make an adjustment to account for Darden's ground leases, using a 7.0% cap rate applied to $81.5 million of assumed ground lease expense, which produces a value of $1.1 billion attributable to the ground lease payments

Transaction Value of Real Estate
($ in billions, except per square foot metrics)

Value per Square Foot	$370	$385	$400
Gross Value of Real Estate	$4.8	$5.0	$5.2
Ground Lease Value	($1.1)	($1.1)	($1.1)
Gross Portfolio Value	$3.7	$3.9	$4.1
Estimated Tax Leakage [2]	$0.37	$0.39	$0.41
Net Portfolio Value	$3.33	$3.51	$3.69

Triple-net restaurant portfolio sales suggest a potential valuation range for the fee owned and ground leased real estate of $3.3 to $3.7 billion net of tax leakage

(1) Available detail on individual portfolio sales typically do not include breakdowns of fee owned and ground leased locations; Barington conservatively assumed the portfolios comprised entirely of fee owned real estate for the purpose of estimating a range of values. This could result in an overly conservative valuation, as these portfolio transactions often have a mix of both fee and leasehold properties, which are reflected in sales prices per square foot

(2) 10% tax leakage estimate applied to gross portfolio value due to lack of availability of tax basis information. Tax leakage may be partially offset by deductions from debt repurchased at prices exceeding par

Source: Real Capital Analytics, Barington Analysis

Real Estate Valuation: Portfolio Sale Transactions (cont'd)

Transaction Type	Transaction Date	Restaurant Name	Location	Square Footage	Purchase Price(1)	Purchase Price PSF	No. of Properties	Buyer	Seller	Notes
Sale	6/28/2013	Various	Various	2,040,000	$774,000,000	$379	447	American Realty Capital Properties Inc.	GE Capital	Portfolio of IHOP, Jack in the Box, Golden Corral, Burger King, Arby's Taco Bell, Applebee's, Wendy's, Logan's Roadhouse, and Denny's. Acquired at a cap rate of over 7%
Sale	6/27/2013	Various	Various	1,400,000	528,200,000	377	377	American Realty Capital Trust IV, Inc.	GE Capital	Portfolio of Kentucky Fried Chicken, Wendy's, and Pizza Hut
Sale-Leaseback	3/27/2013	Applebee's	Various	170,000	79,000,000	465	45	STORE Capital	Concord Neighborhood Corporation	Portfolio of Applebee's located in Nebraska, Kansas, Missouri, Wyoming, Texas, Oklahoma, Florida, Alabama, and Mississippi
Sale-Leaseback	1/29/2013	Wendy's	Las Vegas	72,000	23,700,000	329	18	Cole Real Estate Investments and National Retail Properties, Inc.	Cedar Enterprises	Portfolio fo 18 Wendy's restaurants in Las Vegas, Nevada
Entity-Level	1/22/2013	Various	Various	24,286	5,479,000	226	8	Realty Income Corp	American Realty Capital Trust	Portfolio of IHOP and Jack in the Box located in South Carolina, Georgia, and Texas
Sale-Leaseback	8/21/2012	Various	Various	36,000	17,300,000	481	4	Cole RE Investments	Benihana	Portfolio of Benihana located in Florida, Illinois, Minnesota, Texas, Alaska, Georgia, and Michigan
Sale-Leaseback	Q1 2012	Outback Steakhouse	Various	187,000	98,000,000	524	34	National Retail Properties, Inc.	Bloomin' Brands	Portfolio of Outback Steakhouse in various locations
Refinance	4/7/2011	Various	Various	32,745	13,450,000	411	5	Cole RE Investments	NA	Portfolio of On the Border, Macaroni Grill, and Chili's located in Arizona, Missouri, and New Jersey

(1) For refinancing transactions, purchase prices represented are appraised values

Source: Real Capital Analytics, Barington analysis

Real Estate Valuation: Portfolio Sale Transactions (cont'd)

Transaction Type	Transaction Date	Restaurant Name	Location	Square Footage	Purchase Price[(1)]	Purchase Price PSF	No. of Properties	Buyer	Seller	Notes
Sale	10/13/2010	Applebee's	Various	58,701	23,658,294	403	12	Cole RE Investments	NA	Portfolio of Applebee's located in Michigan, Tennessee, Pennsylvania, Mississippi, Virginia, Minnesota, Illinois, and Arkansas
Sale	6/30/2010	Various	Various	230,385	87,977,773	382	32	Cole RE Investments	NA	Portfolio of Chili's, Macaroni Grill, and On the Border located in New Jersey, Georgia, Michigan, Texas, Ohio, North Carolina, Illinois, Arizona, Arkansas, Oklahoma, Massachusetts, Virginia, and Missouri
Sale	3/31/2010	Applebee's	Various	40,213	15,880,800	395	8	Cole RE Investments	NA	Portfolio of Applebee's located in North Carolina, Missouri, Kentucky, Illinois, Tennessee, and Indiana
Sale-Leaseback	10/17/2011	O'Charley's	Various	325,000	105,000,000	323	50	STORE Capital	O'Charley's Inc.	Portfolio of O'Charley's

Mean	$391
Median	388
Low	226
High	524

(1) For refinancing transactions, purchase prices represented are appraised values

Source: Real Capital Analytics, Barington analysis

Real Estate Valuation: Sale Transactions Examples




	Longhorn*	**Olive Garden***	**Red Lobster***	**Applebee's**	**Panda Buffet**
Location	Phoenix, AZ	Houston, TX	Montclair, CA	Eustis, FL	San Diego, CA
Price	$2.0 million	$2.0 million	$3.2 million	$2.1 million	$2.8 million
Building Size	6,300 SF	7,650 SF	6,233 SF	5,750	8,915 SF
Price/SF	$312 / SF	$261 / SF	$513 / SF	$373 / SF	$314 / SF
Cap Rate	5.0%	5.0%	5.1%	6.9%	7.2%
Comments	▪ New 10-year fee simple ▪ 10% rental increases every 5 years during the initial term ▪ Four 5-year renewal options	▪ Existing lease with ground lease	▪ 25-year fee simple lease ▪ 1 - 5-year options including percentage rent	▪ Net lease with 10+ years left on lease	▪ Fee simple lease Investment with 4 years left on lease

Recent sale leasebacks for comparable restaurants illustrate potentially achievable initial yield rates and sale price per square foot values

* Properties currently for sale
Source: LoopNet, Inc.

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