

To Our Shareholders

On August 5, 2014, we reported results for our first quarter of the 2015 fiscal year that ended June 29, 2014.

For the fiscal quarter ended June 29, 2014:

- Net income increased by 21.4% to \$4,071,000 as compared to \$3,354,000 for the thirteen weeks ended June 30, 2013;
- Earnings per diluted share increased by 21.9% to \$0.89 as compared to \$0.73 for the thirteen weeks ended June 30, 2013;
- Earnings before income taxes increased by 119.5% to \$6,862,000 as compared to \$3,126,000 for the thirteen weeks ended June 30, 2013 (excluding non-routine items in 2013 relating to an insurance gain of \$2,801,000 offset by an impairment charge of \$400,000); and
- Revenues increased by 18.2% to \$27,668,000, as compared to \$23,401,000 during the thirteen weeks ended June 30, 2013.

Effective March 1, 2014, Nathan's commenced its new License Agreement with John Morrell & Co. replacing its prior licensee for the exclusive right and obligation to manufacture, distribute, market and sell "Nathan's Famous" branded hot dogs, through retail channels (e.g., supermarkets, groceries, mass merchandisers and club stores) within the United States. For the quarter, which is the first full quarter with the new agreement in effect, royalties earned pursuant to the new agreement, increased by 217.6% to \$4,656,000 as compared to \$1,466,000 earned under the prior agreement during the thirteen weeks ended June 30, 2013.

Sales from the Branded Product Program, featuring the sale of Nathan's hot dogs to the foodservice industry, increased by 14.6% to \$15,064,000 during the thirteen weeks ended June 29, 2014, as compared to sales of \$13,141,000 during the thirteen weeks ended June 30, 2013.

Sales from the Company-owned restaurants were \$5,291,000 during the thirteen weeks ended June 29, 2014 as compared to \$3,726,000 during the thirteen weeks ended June 30, 2013. The increase in sales was due to the following: (1) Our Flagship Coney Island restaurant, which was severely damaged by Superstorm Sandy, operated for thirteen weeks during the current year as compared to operating for only five weeks of the quarter last year; and (2) Our Yonkers restaurant, which was renovated last year, operated for thirteen weeks this year and was closed during the entire quarter last year.

License royalties increased by 146.7% to \$5,568,000 during the thirteen weeks ended June 29, 2014, as compared to \$2,257,000 during the thirteen weeks ended June 30, 2013. In addition to the increased royalties earned pursuant to the new John Morrell license agreement, all other license royalties increased by \$118,000, or 14.9%.

Revenues from franchise operations were \$1,489,000 during the thirteen weeks ended June 29, 2014, as compared to \$1,355,000 during the thirteen weeks ended June 30, 2013. Nine new franchised units were opened during the thirteen weeks ended June 29, 2014, including five Branded Menu Program outlets and our first location in Costa Rica.

During the thirteen weeks ended June 30, 2013, Nathan's realized a gain of \$2,801,000 in connection with the settlement of its flood damage and contents loss insurance claims relating to Superstorm Sandy and recognized an impairment charge of \$400,000 in connection with a long-term investment.

Nathan's is a Russell 2000 Company that currently distributes its products in 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, the Cayman Islands and nine foreign countries through its restaurant system, foodservice sales programs and product licensing activities. At June 29, 2014, the Nathan's restaurant system consisted of 311 units, comprised of 306 franchised units and five company-owned units (including one seasonal unit). Nathan's was ranked #55 on the Forbes list of the Best Small Companies in America and was listed as the Best Small Company in New York State in October 2013. Last year, over 480 million Nathan's Famous hot dogs were sold. For additional information about Nathan's please visit our website at www.nathansfamous.com.

Sincerely,

Eric Gatoff
Chief Executive Officer

Wayne Norbitz
President
and Chief Operating Officer

Nathan's Famous, Inc. and Subsidiaries
Financial Highlights

	<u>Thirteen weeks ended</u>	
	<u>June 29, 2014</u>	<u>June 30, 2013</u>
	(unaudited)	
Total revenues	<u>\$ 27,668,000</u>	<u>\$ 23,401,000</u>
Earnings before income taxes	<u>\$ 6,862,000</u>	<u>\$ 5,527,000</u>
Net income	<u>\$ 4,071,000</u>	<u>\$ 3,354,000</u>
PER SHARE INFORMATION		
Income per share:		
Basic	<u>\$ 0.91</u>	<u>\$ 0.76</u>
Diluted	<u>\$ 0.89</u>	<u>\$ 0.73</u>
Weighted-average shares used in computing income per share:		
Basic	<u>4,471,000</u>	<u>4,415,000</u>
Diluted	<u>4,593,000</u>	<u>4,588,000</u>

Nathan's Famous, Inc. and Subsidiaries
Summary Balance Sheet Data

	<u>June 29, 2014</u>	<u>March 30, 2014</u>
	(Unaudited)	
Assets		
Current assets	\$ 46,782,000	\$ 45,189,000
Property and equipment, net of accumulated depreciation	8,844,000	8,970,000
Intangible assets	1,448,000	1,448,000
Other assets	<u>480,000</u>	<u>528,000</u>
Total assets	<u>\$ 57,554,000</u>	<u>\$ 56,135,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 8,484,000	\$ 9,811,000
Other long-term obligations	1,628,000	1,693,000
Deferred income taxes	756,000	734,000
Stockholders' equity	<u>46,686,000</u>	<u>43,897,000</u>
Total liabilities and stockholders' equity	<u>\$ 57,554,000</u>	<u>\$ 56,135,000</u>