

To Our Shareholders

We are pleased that the acquisition of Miami Subs continues to contribute to unparalleled performance for Nathan's resulting in record revenue for the three quarter period of approximately \$38 million. Total revenues, systemwide sales, earnings before income taxes and net income have increased principally due to the September 1999 acquisition of Miami Subs Corp.

Total revenues increased by 32.4% to \$37,529,000 for the thirty-nine weeks ended December 24, 2000 as compared to \$28,341,000 for the thirty-nine weeks ended December 26, 1999. Systemwide sales of the Company's three brands, including supermarket sales by the Company's hot dog licensee, increased by 47.0% to \$220,800,000 for the thirty-nine weeks ended December 24, 2000, as compared to \$150,172,000 for the thirty-nine weeks ended December 26, 1999.

Earnings before income taxes for the thirty-nine weeks ended December 24, 2000 increased by 116.6% to \$3,229,000 as compared to \$1,491,000 for the thirty-nine weeks ended December 26, 1999. Net earnings for the fiscal 2001 period were \$1,823,000 or \$0.26 per diluted share as compared to \$858,000 or \$0.16 per diluted share in the prior fiscal period.

During the third quarter of fiscal 2001, total revenues were \$11,558,000 as compared to \$12,048,000 during the third quarter of fiscal 2000. Earnings before income taxes for the quarter ended December 24, 2000 were \$447,000 as compared to a loss before income taxes of \$325,000 for the quarter ended December 26, 1999. Net earnings for the fiscal 2001 quarter were \$145,000 or \$0.02 per diluted share as compared to a net loss of \$227,000 or \$0.03 per diluted share in the prior comparable fiscal period.

During the third quarter fiscal 2001, the Company earned a \$500,000 transfer fee in connection with the change in ownership of its principal supermarket licensee and incurred approximately \$480,000 of lease termination costs and losses associated with the operations of two newly opened restaurants. Additionally, investment income was also \$335,000 higher during the prior year's comparable period than the third quarter fiscal 2001. During the prior year's comparable period, the Company incurred an impairment charge on notes receivable of \$566,000, an expense of \$222,000 from its equity in the loss of Miami Subs prior to acquisition and bad debts and prepayment incentives on notes receivable of \$233,000.

We are finalizing the integration of Miami Subs and Kenny Rogers Roasters into our company, and are taking actions to improve our entire system's performance by capitalizing on our new economies of scale. Our co-branding strategy is continuing to evolve, and after realizing initial success within our company-owned restaurants, we are beginning to introduce this strategy within our entire franchise community.

During fiscal 2000, we closed fifteen underperforming company-owned restaurants that generated sales of \$1,695,000 and \$3,019,000 and losses of \$178,000 and \$265,000 for the thirteen and thirty-nine week periods of fiscal 2000, respectively which have added to the current fiscal years profitability. Additionally, during fiscal 2001, pursuant to our divesture plan, we have also terminated 9 leases to close unprofitable locations at a total cost of \$502,000.

It is also noteworthy to recognize that our Branded Product Program has rekindled its expansion, generating sales of approximately \$3,471,000 during the three quarter fiscal 2001 period as compared to \$2,119,000 during last year's same fiscal period and that sales of our Nathan's products sold in supermarkets and club stores continue to result in year over year sales increases.

Today Nathan's Famous, Inc. consists of 27 company-owned units, 400 franchised or licensed units, and more than 1,200 Branded Product points of sale, located throughout forty-two states, the District of Columbia and seventeen foreign countries featuring the Nathan's, Miami Subs and Kenny Rogers Roasters brands.

Sincerely,

Howard Lorber
Chairman of the Board and Chief Executive Officer

Wayne Norbitz
President and Chief Operating Officer

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
Summary Consolidated Statements of Earnings Data
(In thousands, except per share amounts)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Dec. 24, 2000 (Unaudited)	Dec. 26, 1999	Dec. 24, 2000 (Unaudited)	Dec. 26, 1999
Total revenues	\$11,558	\$12,048	\$ 37,529	\$ 28,341
Costs and expenses	11,111	12,373	34,300	26,850
Earnings / (loss) before income taxes	447	(325)	3,229	1,491
Provision / (benefit) for income taxes	302	(98)	1,406	633
Net income / (loss)	\$ 145	\$ (227)	\$ 1,823	\$ 858
PER SHARE INFORMATION				
Net income / (loss) per share				
Basic	\$ 0.02	\$ (0.03)	\$ 0.26	\$ 0.16
Diluted	\$ 0.02	\$ (0.03)	\$ 0.26	\$ 0.16
Shares used in computing income / (loss) per share				
Basic	7,065	7,040	7,057	5,495
Diluted	7,065	7,040	7,087	5,495

Summary Balance Sheet Data
(In thousands)

	Dec 24, 2000 (Unaudited)	March 26, 2000
Assets		
Current assets	\$ 16,689	\$ 10,768
Property and equipment, net	13,113	13,977
Notes receivable, net	2,254	2,527
Intangible assets, net	19,375	19,092
Other assets	1,802	2,219
Total assets	\$ 53,233	\$ 48,583
Liabilities and Stockholders' Equity		
Current liabilities	\$ 12,940	\$ 11,090
Notes payable and capitalized lease obligations less current maturities	2,590	3,131
Other long-term obligations	2,454	1,015
Stockholders' equity	35,249	33,347
Total liabilities and stockholders' equity	\$ 53,233	\$ 48,583