

## To Our Shareholders

The acquisition of Miami Subs continues to contribute to unparalleled performance for Nathan's resulting in an increase in total revenues of 59.4% to \$25,971,000 for the twenty-six weeks ended September 24, 2000 as compared to \$16,293,000 for the twenty-six weeks ended September 26, 1999. Systemwide sales of our brands, including supermarket sales by the Company's hot dog licensee, increased by 117.7% to \$142,898,000 for the twenty-six weeks ended September 24, 2000, as compared to \$65,653,000 for the twenty-six weeks ended September 26, 1999.

Earnings before income taxes for the two quarters ended September 24, 2000 increased by 53.2% to \$2,782,000 as compared to \$1,816,000 for the two quarters ended September 26, 1999. Net earnings for the fiscal 2001 period were \$1,678,000 or \$0.24 per diluted share as compared to \$1,085,000 or \$0.23 per diluted share in the prior fiscal year.

During the second quarter of fiscal 2001, total revenues increased by 56.6% to \$12,867,000 as compared to \$8,219,000 during the second quarter of fiscal 2000. Earnings before income taxes for the quarter ended September 24, 2000 increased by 52.2% to \$1,531,000 as compared to \$1,006,000 for the quarter ended September 26, 1999. Net earnings for the fiscal 2001 quarter were \$933,000 or \$0.13 per diluted share as compared to \$616,000 or \$0.13 per diluted share in the prior fiscal year.

It is also noteworthy to recognize that our Branded Product Program has rekindled its expansion, generating sales of approximately \$2,513,000 during the fiscal 2001 period as compared to \$1,622,000 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 increases.

We are continuing to integrate Miami Subs and Kenny Rogers Roasters into our company, and take actions designed to improve our entire system's performance by capitalizing on our new economies of scale. We are also continuing to realize the benefits from our co-branding strategy within our company-owned restaurants and to make these opportunities available to our entire franchise community.

Today Nathan's Famous, Inc. consists of 28 company-owned units, 395 franchised or licensed units, and more than 1,100 Branded Product points of sale, located throughout forty-two states, the District of Columbia and sixteen 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 |                  | Twenty-six Weeks Ended |                  |
|---|----------------------|------------------|------------------------|------------------|
|   | Sept 24,<br>2000     | Sept 26,<br>1999 | Sept 24,<br>2000       | Sept 26,<br>1999 |
|   | (Unaudited)          |                  | (Unaudited)            |                  |
| Total revenues                              | \$ 12,867            | \$ 8,219         | \$ 25,971              | \$ 16,293        |
| Costs and expenses                          | 11,336               | 7,213            | 23,189                 | 14,477           |
| Earnings before income taxes                | 1,531                | 1,006            | 2,782                  | 1,816            |
| Provision for income taxes                  | 598                  | 390              | 1,104                  | 731              |
| Net earnings                                | \$ 933               | \$ 616           | \$ 1,678               | \$ 1,085         |
| PER SHARE INFORMATION                       |                      |                  |                        |                  |
| Net earnings per share                      |                      |                  |                        |                  |
| Basic                                       | \$ 0.13              | \$ 0.13          | \$ 0.24                | \$ 0.23          |
| Diluted                                     | \$ 0.13              | \$ 0.13          | \$ 0.24                | \$ 0.23          |
| Shares used in computing earnings per share |                      |                  |                        |                  |
| Basic                                       | 7,065                | 4,722            | 7,053                  | 4,722            |
| Diluted                                     | 7,155                | 4,722            | 7,099                  | 4,752            |

### Summary Balance Sheet Data (In thousands)

|   | Sept 24,<br>2000 | March 28,<br>1999 |
|---|------------------|-------------------|
|   | (Unaudited)      |                   |
| Assets  |                  |                   |
| Current assets  | \$ 16,146        | \$ 10,768         |
| Property and equipment, net   | 13,788           | 13,977            |
| Notes receivable, net   | 2,352            | 2,527             |
| Intangible assets, net  | 18,743           | 19,092            |
| Other assets  | 1,972            | 2,219             |
| Total assets  | \$ 53,001        | \$ 48,583         |
| Liabilities and Stockholders' Equity                                    |                  |                   |
| Current liabilities   | \$ 12,445        | \$ 11,090         |
| Notes payable and capitalized lease obligations less current maturities | 2,987            | 3,131             |
| Other long-term obligations   | 2,466            | 1,015             |
| Stockholders' equity  | 35,103           | 33,347            |
| Total liabilities and stockholders' equity                              | \$ 53,001        | \$ 48,583         |