

## *To Our Shareholders*

On August 7, 2013, we reported results for our first quarter of the 2014 fiscal year that ended June 30, 2013.

For the fiscal quarter ended June 30, 2013:

- Net income increased by 67.2% to \$3,354,000 as compared to \$2,006,000 for the thirteen weeks ended June 24, 2012;
- Earnings per diluted share increased by 65.9% to \$0.73 as compared to \$0.44 for the thirteen weeks ended June 24, 2012; and
- Revenues increased by 15.9% to \$23,401,000, as compared to \$20,182,000 during the thirteen weeks ended June 24, 2012.

Sales from the Branded Product Program, featuring the sale of Nathan's hot dogs to the foodservice industry, increased by 11.3% to \$13,141,000 during the thirteen weeks ended June 30, 2013, as compared to sales of \$11,806,000 during the thirteen weeks ended June 24, 2012.

Sales from the Company-owned restaurants were \$3,726,000 during the thirteen weeks ended June 30, 2013 as compared to \$4,588,000 during the thirteen weeks ended June 24, 2012; however, the decline in sales was due to the following: (1) Our Flagship Coney Island restaurant, which was severely damaged by Superstorm Sandy, was not fully repaired and reopened until May 20, and operated for only 5 weeks of the quarter this year, compared to the full 13 weeks last year; and (2) The temporary closing of our Yonkers restaurant for redevelopment since December 2012. We estimate that these two factors negatively impacted sales by approximately \$1,400,000.

Since reopening, sales at our Flagship Coney Island restaurant for the five weeks ending June 30, 2013 were approximately 19% higher than the comparative five weeks of the previous fiscal period. Sales during the thirteen weeks ended June 30, 2013 at our seasonal Boardwalk restaurant in Coney Island were approximately 35% higher than the thirteen weeks ended June 24, 2012, although there can be no assurance as to the continuation of these trends.

Gross profit decreased to 20.6% of sales during the thirteen weeks ended June 30, 2013, as compared to 20.8% of sales during the thirteen weeks ended June 24, 2012 due primarily to the impact of lower sales at the Company-operated restaurants.

License royalties were \$2,265,000 during the thirteen weeks ended June 30, 2013, as compared to \$2,229,000 during the thirteen weeks ended June 24, 2012.

Revenues from franchise operations were \$1,347,000 during the thirteen weeks ended June 30, 2013, as compared to \$1,430,000 during the thirteen weeks ended June 24, 2012. Eight new franchised units were opened during the thirteen weeks ended June 30, 2013, including four Branded Menu Program outlets and our first location in Moscow.

Nathan's realized a gain of \$2,801,000 during the thirteen weeks ended June 30, 2013 in connection with the settlement of its flood damage and contents loss insurance claims relating to Superstorm Sandy.

Nathan's recognized an impairment charge of \$400,000 in connection with a long-term investment.

Nathan's final appeal in the SMG litigation was denied. As a result, the judgment of \$4,910,000 and all post-judgment interest of \$1,099,000, was satisfied on July 24, 2013. As previously described, we accrued the expense of the judgment in October 2010, and have been accruing the expenses for post-judgment interest on a monthly basis throughout the appeals process.

Nathan's products are currently distributed 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. The Nathan's restaurant system currently consists of 315 units,

comprised of 310 franchised units and five company-owned units (including one seasonal unit). For additional information about Nathan's please visit our website at [www.nathansfamous.com](http://www.nathansfamous.com).

Sincerely,

Eric Gatoff  
Chief Executive Officer

Wayne Norbitz  
President  
and Chief Operating Officer

**Nathan's Famous, Inc.**  
**Financial Highlights**

Thirteen weeks ended

June 30, 2013                      June 24, 2012  
(unaudited)

Total revenues	<u>\$ 23,401,000</u>	<u>\$ 20,182,000</u>
Net income	<u>\$ 3,354,000</u>	<u>\$ 2,006,000</u>
Basic income per share		
Net income	<u>\$ 0.76</u>	<u>\$ 0.46</u>
Diluted income per share		
Net income	<u>\$ 0.73</u>	<u>\$ 0.44</u>
Weighted-average shares used in computing income per share		
Basic	<u>4,415,000</u>	<u>4,368,000</u>
Diluted	<u>4,588,000</u>	<u>4,531,000</u>

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

	<u>June 30, 2013</u> (Unaudited)	<u>March 31, 2013</u>
Assets		
Current assets	\$ 45,370,000	\$ 40,988,000
Property and equipment	8,261,000	5,788,000
Long-term investment	100,000	500,000
Intangible assets	1,448,000	1,448,000
Other assets, net	<u>461,000</u>	<u>938,000</u>
Total assets	<u>\$ 55,640,000</u>	<u>\$ 49,662,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 13,926,000	\$ 13,463,000
Other long-term obligations	2,131,000	2,051,000
Deferred income taxes	701,000	-
Stockholders' equity	<u>38,882,000</u>	<u>34,148,000</u>
Total liabilities and stockholders' equity	<u>\$ 55,640,000</u>	<u>\$ 49,662,000</u>