

To Our Shareholders

The acquisition of Miami Subs has fueled unsurpassed first quarter results for Nathan's whereby we realized our highest quarterly revenues of over \$13 million and achieved net income of \$745,000 making for our most profitable first quarter since going public in 1993.

Total revenues increased by 62.3% to \$13,104,000 in the first quarter fiscal 2001 as compared to \$8,074,000 in the first quarter fiscal 2000. Systemwide sales of our brands, including supermarket sales by the Company's hot dog licensee, increased by 99.3% to \$77,430,000 for the thirteen weeks ended June 25, 2000, as compared to \$38,850,000 for the thirteen weeks ended June 27, 1999.

Earnings before income taxes for the quarter ended June 25, 2000 increased by 54.4% to \$1,251,000 as compared to \$810,000 for the quarter ended June 27, 1999. Net earnings for the fiscal 2001 quarter were \$745,000 or \$0.11 per diluted share as compared to \$469,000 or \$0.10 per diluted share in the prior fiscal year.

We have continued integrating Miami Subs and Kenny Rogers Roasters into our company, as we initiated actions designed to improve our entire system's performance by capitalizing on our new economies of scale. We have begun to realize the benefits from our co-branding strategy within our company-owned restaurants and have begun making these opportunities available to our entire franchise community.

It is also noteworthy to recognize that our Branded Product Program has rekindled its expansion, generating sales of approximately \$1,184,000 during the first fiscal quarter as compared to \$864,000 during last year's first fiscal quarter and that sales of our Nathan's products sold in supermarkets and club stores continue to result in year over year increases.

Today Nathan's Famous, Inc. consists of 29 company-owned units, 401 franchised or licensed units, and more than 1,000 Branded Product points of sale, located throughout forty-four states, the District of Columbia and sixteen foreign countries featuring the Nathan's, Miami Subs and Kenny Rogers Roasters brands.

Management's mission is to maintain a consistently high standard of excellence in our restaurants, operations and relationships with our business associates. As we seek to continue to expand the presence of our brands and pursue profitable new opportunities to market our products, we will retain our steadfast commitment to quality and endeavor to serve our shareholders conscientiously.

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	
	June 25, <u>2000</u>	June 27, <u>1999</u>
	(Unaudited)	
Total revenues	\$ 13,104	\$ 8,074
Costs and expenses	11,853	7,264
Earnings before income taxes	1,251	810
Provision for income taxes	506	341
Net earnings	\$ 745	\$ 469

PER SHARE INFORMATION

Net earnings per share		
Basic	\$ 0.11	\$ 0.10
Diluted	\$ 0.11	\$ 0.10
Shares used in computing earnings per share		
Basic	7,040	4,722
Diluted	7,044	4,744

Summary Balance Sheet Data (In thousands)

	June 25, <u>2000</u>	March 26, <u>2000</u>
	(Unaudited)	
Assets		
Current assets	\$ 16,783	\$ 10,768
Property and equipment, net	14,181	13,977
Notes receivable, net	2,455	2,527
Intangible assets, net	18,891	19,092
Other assets	2,176	2,219
Total assets	\$ 54,486	\$ 48,583
Liabilities and Stockholders' Equity		
Current liabilities	\$ 14,609	\$ 11,090
Notes payable and capitalized lease obligations less current maturities	3,056	3,131
Other long-term obligations	2,729	1,015
Stockholders' equity	34,092	33,347
Total liabilities and stockholders' equity	\$ 54,486	\$ 48,583