

## *To Our Shareholders*

Earnings before income taxes for the quarter ended June 24, 2001 increased by 36.9% to \$1,713,000 as compared to \$1,251,000 for the quarter ended June 25, 2000. Net earnings for the fiscal 2002 quarter were \$962,000 or \$0.14 per diluted share as compared to \$745,000 or \$0.11 per diluted share in the prior fiscal year.

During the first quarter fiscal 2002, earnings before income taxes included the reversal of a previously recorded litigation reserve of \$210,000 in connection with the Company's successful appeal and a gain of \$96,000 from the sale of a restaurant. Earnings before income taxes for the first quarter fiscal 2001 included revenue of \$221,000 in connection with the introduction of a consolidated food distribution agreement.

Total revenues were \$11,876,000 in the first quarter fiscal 2002 as compared to \$12,899,000 in the first quarter fiscal 2001. Systemwide sales of the Company's brands, including supermarket sales by the Company's hot dog licensee, were \$72,433,000 for the thirteen weeks ended June 24, 2001, as compared to \$77,262,000 for the thirteen weeks ended June 25, 2000.

We are currently operating fewer Company-owned restaurants, primarily due to the Miami Subs divestiture strategy, which lowered revenues by approximately \$1.2 million and improved restaurant profits by approximately \$97,000 as compared to the first fiscal quarter of fiscal 2001.

During the year, two or more brands have been introduced into the Miami Subs restaurant system, enabling the July 2001 launch of our new "Miami Subs Plus" concept in South Florida. In total, 140 of our Nathan's, Miami Subs and Kenny Rogers Roasters restaurants are co-branded with another of our brands or with the Arthur Treacher's brand.

Our Branded Product Program, featuring the sale of Nathan's hot dogs to the foodservice industry, has continued to grow, generating sales of approximately \$1,238,000 during the first fiscal quarter as compared to \$915,000 during last year's first fiscal quarter.

Sales of Nathan's products sold in supermarkets and club stores continue to result in year over year increases in royalties, increasing 21.7% for the first fiscal quarter of 2002 over the first fiscal quarter of 2001.

Today, Nathan's Famous, Inc. consists of 24 company-owned units, 384 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 M. 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 24, <u>2001</u>	June 25, <u>2000</u>
(Unaudited)		
Total revenues	\$11,876	\$12,899
Costs and expenses	10,163	11,648
Earnings before income taxes	1,713	1,251
Provision for income taxes	751	506
Net earnings	\$ 962	\$ 745
<b>PER SHARE INFORMATION</b>		
Net earnings per share		
Basic	\$ 0.14	\$ 0.11
Diluted	\$ 0.14	\$ 0.11
Shares used in computing earnings per share		
Basic	7,065	7,040
Diluted	7,084	7,044

**Summary Balance Sheet Data**  
(In thousands)

	June 24, <u>2001</u>	March 25, <u>2001</u>
	(Unaudited)	
<b>Assets</b>		
Current assets	\$ 16,787	\$ 17,872
Property and equipment, net	10,911	11,279
Notes receivable, net	1,688	1,729
Intangible assets, net	17,789	18,011
Other assets	2,911	2,935
Total assets	\$ 50,086	\$ 51,826
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities	\$ 10,145	\$ 12,662
Notes payable and capitalized lease obligations less current maturities	1,739	1,789
Other long-term obligations	2,209	2,344
Stockholders' equity	35,993	35,031
Total liabilities and stockholders' equity	\$ 50,086	\$ 51,826