

To Our Shareholders

On November 5, 2014, we reported results for the second quarter of our 2015 fiscal year that ended September 28, 2014:

For the thirteen weeks ended September 28, 2014:

- Net income increased by 45.5% to \$3,854,000 as compared to \$2,648,000 for the thirteen weeks ended September 29, 2013;
- Earnings per diluted share increased by 47.4% to \$0.84 as compared to \$0.57 for the thirteen weeks ended September 29, 2013;
- Earnings before income taxes increased by 49.3% to \$6,528,000 as compared to \$4,371,000 for the thirteen weeks ended September 29, 2013; and
- Revenues increased by 22.4% to \$28,953,000, as compared to \$23,662,000 during the thirteen weeks ended September 29, 2013.

For the twenty-six weeks ended September 28, 2014:

- Net income increased by 32.0% to \$7,925,000 as compared to \$6,002,000 for the twenty-six weeks ended September 29, 2013;
- Earnings per diluted share increased by 33.1% to \$1.73 as compared to \$1.30 for the twenty-six weeks ended September 29, 2013;
- Earnings before income taxes increased by 78.6% to \$13,390,000 as compared to \$7,497,000 for the twenty-six weeks ended September 29, 2013 (excluding non-routine items in 2013 relating to an insurance gain of \$2,801,000 offset by an impairment charge of \$400,000); and
- Revenues increased by 20.3% to \$56,621,000, as compared to \$47,063,000 during the twenty-six weeks ended September 29, 2013.

Effective March 1, 2014, Nathan's commenced its new License Agreement with John Morrell & Co. replacing its prior licensee for the exclusive right and obligation to manufacture, distribute, market and sell "Nathan's Famous" branded hot dogs, through retail channels (e.g., supermarkets, groceries, mass merchandisers and club stores) within the United States. For the twenty-six weeks ended September 28, 2014, representing the first two full quarters of the new agreement, royalties earned pursuant to the new agreement, increased by 214.3% to \$8,355,000 as compared to \$2,658,000 earned under the prior agreement during the twenty-six weeks ended September 29, 2013.

Sales from the Branded Product Program, featuring the sale of Nathan's hot dogs to the foodservice industry, increased by 13.0% to \$30,612,000 during the twenty-six weeks ended September 28, 2014, as compared to sales of \$27,101,000 during the twenty-six weeks ended September 29, 2013.

Sales from the Company-operated restaurants increased by 29.4% to \$12,349,000 during the twenty-six weeks ended September 28, 2014 as compared to \$9,545,000 during the twenty-six weeks ended September 29, 2013. The increase in sales was due to the following: (1) Our Yonkers restaurant, operated for twenty-six weeks this year and was closed for renovations during the entire period last year; (2) Our Flagship Coney Island restaurant, which was severely damaged by Superstorm Sandy, operated for twenty-six weeks during the current year as compared to operating for only eighteen weeks last year; and (3) higher sales at both Coney Island locations during the comparative periods of operations.

License royalties pursuant to all license agreements increased by 130.0% to \$10,106,000 during the twenty-six weeks ended September 28, 2014, as compared to \$4,394,000 during the twenty-six weeks ended September 29, 2013.

Revenues from franchise operations increased by 4.1% to \$3,002,000 during the twenty-six weeks ended September 28, 2014, as compared to \$2,885,000 during the twenty-six weeks ended September 29, 2013. Twenty

new franchised units were opened during the twenty-six weeks ended September 28, 2014, including ten Branded Menu Program outlets and seven international locations.

During the twenty-six weeks ended September 29, 2013, Nathan's realized a gain of \$2,801,000 in connection with the settlement of its flood damage and contents loss insurance claims relating to Superstorm Sandy and recognized an impairment charge of \$400,000 in connection with a long-term investment.

Nathan's is a Russell 2000 Company that currently distributes its products in 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, the Cayman Islands and ten foreign countries through its restaurant system, foodservice sales programs and product licensing activities. Last year, over 480 million Nathan's Famous hot dogs were sold. Nathan's was ranked #22 on the Forbes 2014 list of the Best Small Companies in America and was listed as the Best Small Company in New York State in October 2013. For additional information about Nathan's please visit our website at www.nathansfamous.com.

Sincerely,

Eric Gatoff
Chief Executive Officer

Wayne Norbitz
President
and Chief Operating Officer

Nathan's Famous, Inc. and Subsidiaries
Financial Highlights

	<u>Thirteen weeks ended</u>		<u>Twenty-six weeks ended</u>	
	<u>Sept. 28, 2014</u>	<u>Sept. 29, 2013</u>	<u>Sept. 28, 2014</u>	<u>Sept. 29, 2013</u>
	(unaudited)		(unaudited)	
Total revenues	<u>\$ 28,953,000</u>	<u>\$ 23,662,000</u>	<u>\$ 56,621,000</u>	<u>\$ 47,063,000</u>
Net income	<u>\$ 3,854,000</u>	<u>\$ 2,648,000</u>	<u>\$ 7,925,000</u>	<u>\$ 6,002,000</u>
Income per share:				
Basic	<u>\$ 0.86</u>	<u>\$ 0.59</u>	<u>\$ 1.77</u>	<u>\$ 1.35</u>
Diluted	<u>\$ 0.84</u>	<u>\$ 0.57</u>	<u>\$ 1.73</u>	<u>\$ 1.30</u>
Weighted-average shares used in computing income per share:				
Basic	<u>4,472,000</u>	<u>4,460,000</u>	<u>4,472,000</u>	<u>4,437,000</u>
Diluted	<u>4,593,000</u>	<u>4,625,000</u>	<u>4,593,000</u>	<u>4,603,000</u>

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

	<u>Sept. 28, 2014</u>	<u>March 30, 2014</u>
	(Unaudited)	
Assets		
Current assets	\$ 51,046,000	\$ 45,189,000
Property and equipment, net of accumulated depreciation	8,632,000	8,970,000
Intangible assets	1,448,000	1,448,000
Other assets	<u>422,000</u>	<u>528,000</u>
Total assets	<u>\$ 61,548,000</u>	<u>\$ 56,135,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 8,875,000	\$ 9,811,000
Other long-term obligations	1,582,000	1,693,000
Deferred income taxes	695,000	734,000
Stockholders' equity	<u>50,396,000</u>	<u>43,897,000</u>
Total liabilities and stockholders' equity	<u>\$ 61,548,000</u>	<u>\$ 56,135,000</u>