

## *To Our Shareholders*

Earnings before income taxes for the twenty-six weeks ended September 23, 2001 were \$2,882,000 as compared to \$2,782,000 for the twenty-six weeks ended September 24, 2000. Net earnings for the fiscal 2002 period were \$1,616,000 or \$0.23 per diluted share as compared to \$1,678,000 or \$0.24 per diluted share in the prior fiscal year.

During the fiscal 2002 period, 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 \$93,000 from the sale of a restaurant. Earnings before income taxes for the fiscal 2001 period included revenue of \$367,000 in connection with the introduction of a consolidated food distribution agreement

Total revenues were \$23,661,000 in the fiscal 2002 period as compared to \$25,565,000 in the fiscal 2001 period. Systemwide sales of the Company's brands, including supermarket sales by the Company's hot dog licensee, were \$143,961,000 for the twenty-six weeks ended September 23, 2001, as compared to \$152,055,000 for the twenty-six weeks ended September 24, 2000.

Earnings before income taxes for the thirteen week quarter ended September 23, 2001 were \$1,169,000 as compared to \$1,531,000 for the thirteen week quarter ended September 24, 2000. Net earnings for the fiscal 2002 quarter were \$654,000 or \$0.09 per diluted share as compared to \$933,000 or \$0.13 per diluted share in the prior fiscal year. Total revenues were \$11,785,000 in the second quarter fiscal 2002 as compared to \$12,666,000 in the second quarter fiscal 2001.

We are currently operating fewer Company-owned restaurants, primarily due to the Miami Subs divestiture strategy, which lowered revenues by approximately \$1.8 million but improved restaurant profits by approximately \$180,000 as compared to the fiscal 2001 twenty-six week period.

During the year, two or more brands have been introduced into the Miami Subs restaurant system, enabling the July 2001 launch of its new "Miami Subs Plus" concept in South Florida. Currently, 135 of the Company's Nathan's, Miami Subs and Kenny Rogers Roasters restaurants are co-branded with another of its 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 \$2,491,000 during the fiscal 2002 twenty-six week period as compared to \$1,958,000 during last year's comparable period.

Sales of Nathan's products sold in supermarkets and club stores continue to result in year over year increases in royalties, increasing 11.8% for the fiscal 2002 twenty-six week period over the fiscal 2001 twenty-six week period.

Today Nathan's Famous, Inc. consists of 23 company-owned units, 379 franchised or licensed units, and more than 1,400 Branded Product points of sale, located within forty-one 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		Twenty-six Weeks Ended	
	Sept 23, 2001	Sept 24, 2000	Sept 23, 2001	Sept 24, 2000
	(Unaudited)		(Unaudited)	
Total revenues	\$11,785	\$12,666	\$23,661	\$ 25,565
Costs and expenses	10,616	11,135	20,779	22,783
Earnings before income taxes	1,169	1,531	2,882	2,782
Provision for income taxes	515	598	1,266	1,104
Net earnings	\$ 654	\$ 933	\$ 1,616	\$ 1,678
<b>PER SHARE INFORMATION</b>				
Net earnings per share				
Basic	\$ 0.09	\$ 0.13	\$ 0.23	\$ 0.24
Diluted	\$ 0.09	\$ 0.13	\$ 0.23	\$ 0.24
Shares used in computing earnings per share				
Basic	7,065	7,065	7,065	7,053
Diluted	7,080	7,155	7,082	7,099

**Summary Balance Sheet Data**

(In thousands)

	Sept. 23, <u>2001</u>	March 25, <u>2001</u>
	(Unaudited)	
<b>Assets</b>		
Current assets	\$ 17,092	\$ 17,872
Property and equipment, net	10,868	11,279
Notes receivable, net	1,719	1,729
Intangible assets, net	17,567	18,011
Other assets	2,903	2,935
Total assets	\$ 50,149	\$ 51,826
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities	\$ 9,653	\$ 12,662
Notes payable and capitalized lease obligations less current maturities	1,693	1,789
Other long-term obligations	2,156	2,344
Stockholders' equity	36,647	35,031
Total liabilities and stockholders' equity	\$ 50,149	\$ 51,826