

To Our Shareholders

Management is extremely pleased that this is the fourteenth consecutive quarter in which quarterly profits from continuing operations have increased as compared to the same period of the prior year.

For the twenty-six weeks ended September 24, 2006, our revenue and earnings from continuing operations increased by 14.1% and 15.5%, respectively, over the twenty-six weeks ended September 25, 2005.

Earnings from continuing operations were \$2,978,000 or \$0.52 per basic share and \$0.48 per diluted share as compared to \$2,578,000 or \$0.46 per basic share and \$0.40 per diluted share for the twenty-six weeks ended September 25, 2005. Total revenue from continuing operations was \$25,368,000 during the twenty-six weeks ended September 24, 2006 as compared to \$23,035,000 during the twenty-six weeks ended September 25, 2005.

For the thirteen weeks ended September 24, 2006, our revenue and earnings from continuing operations also increased by 14.1% and 12.6%, respectively, over the thirteen weeks ended September 25, 2005.

Earnings from continuing operations were \$1,582,000 or \$0.27 per basic share and \$0.26 per diluted share for the thirteen weeks ended September 24, 2006 as compared to \$1,387,000 or \$0.25 per basic share and \$0.21 per diluted share for the thirteen weeks ended September 25, 2005. Total revenue from continuing operations were \$13,124,000 during the thirteen weeks ended September 24, 2006 as compared to \$11,653,000 during the thirteen weeks ended September 25, 2005.

In addition, Nathan's realized gains of \$400,000 and \$2,819,000, from discontinued operations during the 2006 and 2005 periods, respectively, from the sale of a previously owned vacant parcel of land and an adjacent leasehold interest. These gains, net of tax, added \$239,000 or \$0.04 per basic and diluted share, to net income during the thirteen and twenty-six weeks ended September 24, 2006 and \$1,724,000 or \$0.31 and \$0.27 per basic and diluted share, respectively, to net income during the twenty-six weeks ended September 25, 2005.

Net income for the thirteen weeks ended September 24, 2006 was \$1,844,000 or \$0.32 per basic share and \$0.30 per diluted share as compared to \$3,108,000 or \$0.56 per basic share and \$0.48 per diluted share for the thirteen weeks ended September 25, 2005.

Net income for the twenty-six weeks ended September 24, 2006 was \$3,240,000 or \$0.56 per basic share and \$0.52 per diluted share as compared to \$4,277,000 or \$0.77 per basic share and \$0.66 per diluted share for the twenty-six weeks ended September 25, 2005.

The Branded Product Program, featuring the sale of Nathan's hot dogs to the foodservice industry, has continued its growth. Sales increased by 16.0% to \$9,937,000 during the twenty-six weeks ended September 24, 2006 as compared to sales of \$8,563,000 during the twenty-six weeks ended September 25, 2005.

Revenues from Nathan's other operating profit centers, including company-owned restaurants, restaurant franchising, retail licensing, and sales to its television marketer, increased by \$1,000,000 or 7.2% compared to the twenty-six weeks ended September 25, 2005.

Nathan's also incurred certain new mandated administrative expenses during the twenty-six weeks ended September 24, 2006 of \$122,000 in connection with the adoption of a new accounting standard requiring that the fair value of options granted be charged against earnings, \$92,000 in connection with professional services associated with its preparations to comply with the Sarbanes-Oxley Section 404 requirements. We also incurred severance expense of \$73,000 during the period.

At September 24, 2006, Nathan's products were distributed in 49 states, the District of Columbia and 13 foreign countries through its restaurant system, Branded Product Program and retail licensing activities. At September 24, 2006, Nathan's restaurant system consisted of 360 franchised or licensed units and six company-owned units (including one seasonal unit) featuring the Nathan's, Miami Subs and Kenny Rogers Roasters brands. For additional information about Nathan's, Kenny Rogers Roasters or Miami Subs please visit our website at www.nathansfamous.com

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

	<u>Thirteen weeks Ended</u>		<u>Twenty-six weeks Ended</u>	
	(Unaudited)		(Unaudited)	
	<u>Sept. 24, 2006</u>	<u>Sept. 25, 2005</u>	<u>Sept. 24, 2006</u>	<u>Sept. 25, 2005</u>
Total revenues from continuing operations	\$ 13,124,000	\$ 11,653,000	\$ 25,368,000	\$ 23,035,000
Income from continuing operations	\$ 1,582,000	\$ 1,387,000	\$ 2,978,000	\$ 2,578,000
Income from discontinued operations	<u>\$ 262,000</u>	<u>\$ 1,721,000</u>	<u>\$ 262,000</u>	<u>\$ 1,699,000</u>
Net income	<u>\$ 1,844,000</u>	<u>\$ 3,108,000</u>	<u>\$ 3,240,000</u>	<u>\$ 4,277,000</u>
Basic income per share				
Income from continuing operations	\$ 0.27	\$ 0.25	\$ 0.52	\$ 0.46
Income from discontinued operations	<u>\$ 0.05</u>	<u>\$ 0.31</u>	<u>\$ 0.04</u>	<u>\$ 0.31</u>
Net income	<u>\$ 0.32</u>	<u>\$ 0.56</u>	<u>\$ 0.56</u>	<u>\$ 0.77</u>
Diluted income per share				
Income from continuing operations	\$ 0.26	\$ 0.21	\$ 0.48	\$ 0.40
Income from discontinued operations	<u>\$ 0.04</u>	<u>\$ 0.27</u>	<u>\$ 0.04</u>	<u>\$ 0.26</u>
Net income	<u>\$ 0.30</u>	<u>\$ 0.48</u>	<u>\$ 0.52</u>	<u>\$ 0.66</u>
Weighted average shares used in computing income per share				
Basic	<u>5,773,000</u>	<u>5,566,000</u>	<u>5,753,000</u>	<u>5,560,000</u>
Diluted	<u>6,227,000</u>	<u>6,527,000</u>	<u>6,266,000</u>	<u>6,501,000</u>

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
Summary Balance Sheet Data

	<u>Sept. 24, 2006</u>	<u>Mar. 26, 2006</u>
	(Unaudited)	
Assets		
Current assets	\$ 31,991,000	\$ 26,999,000
Property and equipment, net	4,406,000	4,568,000
Notes receivable, net	60,000	137,000
Intangible assets, net	3,855,000	3,979,000
Deferred income taxes and other assets, net	<u>1,716,000</u>	<u>1,740,000</u>
Total assets	<u>\$ 42,028,000</u>	<u>\$ 37,423,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 8,236,000	\$ 7,924,000
Capitalized lease obligation less current maturities	-	31,000
Other long-term obligations	1,353,000	1,420,000
Stockholders' equity	<u>32,439,000</u>	<u>28,048,000</u>
Total liabilities and stockholders' equity	<u>\$ 42,028,000</u>	<u>\$ 37,423,000</u>