

## *To Our Shareholders*

Income from continuing operations was \$1,355,000 or \$0.21 per diluted share for the quarter ended June 29, 2008 as compared to \$1,408,000 or \$0.21 per diluted share for the quarter ended June 24, 2007. Total revenue from continuing operations increased by 10.2% to \$14,042,000 during the quarter ended June 29, 2008 as compared to \$12,739,000 during the quarter ended June 24, 2007.

Net income for the quarter ended June 29, 2008 was \$3,822,000 or \$0.59 per diluted share as compared to \$3,152,000 or \$0.48 per diluted share for the quarter ended June 24, 2007.

During the current fiscal year, Nathan's realized gains, net of tax, of \$2,462,000 or \$0.38 per diluted share from the sale of its formerly wholly-owned subsidiary, NF Roasters Corporation and additional consideration from the sale of its formerly wholly-owned subsidiary, Miami Subs Corporation of \$250,000 which was previously deemed contingent and not realized. The total of these gains before income taxes was \$3,906,000.

During the previous fiscal year, Nathan's realized gains, net of tax, of \$1,598,000 or \$0.25 per diluted share from the sale of certain leasehold interests in Florida and from the sale of its formerly wholly-owned subsidiary, Miami Subs Corporation. The total gains before income taxes were \$2,489,000.

The Branded Product Program, featuring the sale of Nathan's hot dogs to the foodservice industry, has continued to grow. Sales increased by 11.7% to \$6,618,000 for the first quarter fiscal 2009 as compared to sales of \$5,925,000 in the first quarter fiscal 2008.

Revenues and operating profits from Nathan's company-owned restaurants, restaurant franchising, retail licensing and sales to our television marketer, increased by \$599,000 or 9.1% and \$133,000 or 3.9%, respectively, compared to the first quarter fiscal 2008.

Nathan's repurchased 189,688 shares of its common stock through July 31, 2008, pursuant to the authorization granted by its Board of Directors' on November 5, 2007.

Nathan's products are currently distributed in 50 states, the District of Columbia and four foreign countries through its restaurant system, Branded Product Program and retail licensing activities. The Nathan's restaurant system currently consists of 236 units, comprised of 230 franchised or licensed units and six company-owned units (including one seasonal unit). For additional information about Nathan's please visit our website at [www.nathansfamous.com](http://www.nathansfamous.com).

Sincerely,

Eric Gatoff  
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> (Unaudited)	
	<u>June 29, 2008</u>	<u>June 24, 2007</u>
Total revenues from continuing operations	\$ 14,042,000	\$ 12,739,000
Income from continuing operations	\$ 1,355,000	\$ 1,408,000
Income from discontinued operations	<u>\$ 2,467,000</u>	<u>\$ 1,744,000</u>
Net income	<u>\$ 3,822,000</u>	<u>\$ 3,152,000</u>
Basic income per share		
Income from continuing operations	\$ 0.22	\$ 0.23
Income from discontinued operations	<u>\$ 0.40</u>	<u>\$ 0.29</u>
Net income	<u>\$ 0.62</u>	<u>\$ 0.52</u>
Diluted income per share		
Income from continuing operations	\$ 0.21	\$ 0.21
Income from discontinued operations	<u>\$ 0.38</u>	<u>\$ 0.27</u>
Net income	<u>\$ 0.59</u>	<u>\$ 0.48</u>
Weighted average shares used in computing per share information		
Basic	<u>6,165,000</u>	<u>6,018,000</u>
Diluted	<u>6,473,000</u>	<u>6,499,000</u>

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

	<u>June 29, 2008</u> (Unaudited)	<u>Mar. 30, 2008</u>
Assets		
Current assets	\$ 46,285,000	\$ 42,782,000
Property and equipment, net	4,399,000	4,428,000
Note receivable	1,396,000	1,305,000
Intangible assets, net	1,448,000	1,448,000
Other assets, net	<u>727,000</u>	<u>1,239,000</u>
Total assets	<u>\$ 54,255,000</u>	<u>\$ 51,202,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 8,113,000	\$ 7,132,000
Other long-term obligations	1,181,000	1,462,000
Stockholders' equity	<u>44,961,000</u>	<u>42,608,000</u>
Total liabilities and stockholders' equity	<u>\$ 54,255,000</u>	<u>\$ 51,202,000</u>