

## *To Our Shareholders*

For the quarter ended December 28, 2008, income from continuing operations was \$857,000, as compared to \$862,000 for the quarter ended December 23, 2007. Total revenue from continuing operations increased to \$10,620,000, as compared to \$10,241,000 during the quarter ended December 23, 2007. Net income for the quarter was \$857,000 or \$0.14 per share, as compared to \$877,000 or \$0.14 per share for the quarter ended December 23, 2007.

For the thirty-nine weeks ended December 28, 2008, (“fiscal 2009 period”) income from continuing operations was \$4,071,000, as compared to \$4,027,000 for the thirty-nine weeks ended December 23, 2007 (“fiscal 2008 period”). Total revenue from continuing operations increased to \$39,187,000 for the fiscal 2009 period, as compared to \$37,001,000 during the fiscal 2008 period. Net income for the current thirty-nine week period was \$6,538,000 or \$1.04 per share, as compared to \$5,803,000 or \$0.89 per share for the fiscal 2008 period.

During the fiscal 2009 period, Nathan’s realized gains, net of tax, of \$2,462,000 or \$0.39 per diluted share from the sale of its formerly wholly-owned subsidiary, NF Roasters Corporation and from 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 at the time of sale. The total of these gains before income taxes was \$3,906,000.

During the fiscal 2008 period, 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.

During the fiscal 2009 period, Nathan’s repurchased 589,793 shares of its common stock pursuant the stock buy-back programs adopted by its Board of Directors on November 5, 2007 and November 13, 2008. Additionally, Nathan’s completed the 10b-5 trading plan adopted on June 11, 2008 for the purpose of effecting the November 2007 stock buy-back program.

There are 410,207 shares remaining to be repurchased under the November 2008 stock buy-back program. In connection with this plan, Nathan’s adopted and entered into a new 10b-5 trading plan on February 5, 2009.

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 250 units, comprised of 245 franchised or licensed units and five 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>		<u>Thirty-nine weeks Ended</u>	
	(Unaudited)		(Unaudited)	
	<u>Dec. 28, 2008</u>	<u>Dec. 23, 2007</u>	<u>Dec. 28, 2008</u>	<u>Dec. 23, 2007</u>
Total revenues from continuing operations	\$ 10,620,000	\$ 10,241,000	\$ 39,187,000	\$ 37,001,000
Income from continuing operations	\$ 857,000	\$ 862,000	\$ 4,071,000	\$ 4,027,000
Income from discontinued operations	<u>\$ 0</u>	<u>\$ 15,000</u>	<u>\$ 2,467,000</u>	<u>\$ 1,776,000</u>
Net income	<u>\$ 857,000</u>	<u>\$ 877,000</u>	<u>\$ 6,538,000</u>	<u>\$ 5,803,000</u>
Basic income per share				
Income from continuing operations	\$ 0.15	\$ 0.14	\$ 0.68	\$ 0.67
Income from discontinued operations	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.42</u>	<u>\$ 0.29</u>
Net income	<u>\$ 0.15</u>	<u>\$ 0.14</u>	<u>\$ 1.10</u>	<u>\$ 0.96</u>
Diluted income per share				
Income from continuing operations	\$ 0.14	\$ 0.14	\$ 0.65	\$ 0.62
Income from discontinued operations	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.39</u>	<u>\$ 0.27</u>
Net income	<u>\$ 0.14</u>	<u>\$ 0.14</u>	<u>\$ 1.04</u>	<u>\$ 0.89</u>
Weighted average shares used in computing income per share				
Basic	<u>5,756,000</u>	<u>6,092,000</u>	<u>5,968,000</u>	<u>6,076,000</u>
Diluted	<u>6,022,000</u>	<u>6,492,000</u>	<u>6,268,000</u>	<u>6,518,000</u>

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

	<u>Dec. 28, 2008</u>	<u>Mar. 30, 2008</u>
	(Unaudited)	
Assets		
Current assets	\$ 42,173,000	\$ 42,782,000
Property and equipment, net	4,244,000	4,428,000
Note receivable	1,540,000	1,305,000
Intangible assets, net	1,448,000	1,448,000
Other assets, net	<u>763,000</u>	<u>1,239,000</u>
Total assets	<u>\$ 50,168,000</u>	<u>\$ 51,202,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 7,103,000	\$ 7,132,000
Other long-term obligations	1,142,000	1,462,000
Stockholders' equity	<u>41,923,000</u>	<u>42,608,000</u>
Total liabilities and stockholders' equity	<u>\$ 50,168,000</u>	<u>\$ 51,202,000</u>