

## *To Our Shareholders*

For the quarter ended September 28, 2008, income from continuing operations increased by 5.8% to \$1,859,000, as compared to \$1,757,000 for the quarter ended September 23, 2007. Total revenue from continuing operations increased by 3.6% to \$14,525,000, as compared to \$14,021,000 during the quarter ended September 23, 2007.

Net income for the quarter was \$1,859,000 or \$0.29 per share, as compared to \$1,774,000 or \$0.27 per share for the quarter ended September 23, 2007.

For the twenty-six weeks ended September 28, 2008, (“fiscal 2009 period”) income from continuing operations increased by 1.5% to \$3,214,000, as compared to \$3,165,000 for the twenty-six weeks ended September 23, 2007 (“fiscal 2008 period”). Total revenue from continuing operations increased by 6.8% to \$28,567,000 for the fiscal 2009 period, as compared to \$26,760,000 during the fiscal 2008 period.

Net income for the current twenty-six week period was \$5,681,000 or \$0.89 per share, as compared to \$4,926,000 or \$0.75 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 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 fiscal 2008 period, Nathan’s realized gains, net of tax, of \$1,598,000 or \$0.24 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 16.0% to \$12,900,000 during the fiscal 2009 period as compared to sales of \$11,124,000 during the fiscal 2008 period.

Revenues and operating profits from Nathan’s company-owned restaurants, restaurant franchising, retail licensing and sales to our television marketer, increased by \$64,000 or 0.4% and \$214,000 or 2.9%, respectively, compared to the fiscal 2008 period.

Nathan’s results for the fiscal 2009 period, reflects the negative impact of the slowing economy on sales at our Company-owned and franchised restaurants, most significantly during September. In addition, the profitability of Nathan’s Branded Product Program was negatively affected by unprecedented cost increases for our primary products.

Nathan’s recognized income of \$234,000 in connection with the resolution of a multi-year dispute with a licensee and the expected recovery of \$441,000 from the settlement of a multi-year certiorari proceeding at one of its Company-owned restaurants during the fiscal 2009 period.

Nathan’s repurchased 483,884 shares of its common stock through October 31, 2008, pursuant to the common stock buy-back program adopted by its Board of Directors’ on November 5, 2007, concluding the purchases of common stock under the 10b-5 Plan dated June 11, 2008. There are 16,116 shares remaining available for purchase under the November 5, 2007 buy-back program.

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 241 units, comprised of 235 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>		<u>Twenty-six weeks Ended</u>	
	(Unaudited)		(Unaudited)	
	<u>Sept. 28, 2008</u>	<u>Sept. 23, 2007</u>	<u>Sept. 28, 2008</u>	<u>Sept. 23, 2007</u>
Total revenues from continuing operations	\$ 14,525,000	\$ 14,021,000	\$ 28,567,000	\$ 26,760,000
Income from continuing operations	\$ 1,859,000	\$ 1,757,000	\$ 3,214,000	\$ 3,165,000
Income from discontinued operations	<u>\$ 0</u>	<u>\$ 17,000</u>	<u>\$ 2,467,000</u>	<u>\$ 1,761,000</u>
Net income	<u>\$ 1,859,000</u>	<u>\$ 1,774,000</u>	<u>\$ 5,681,000</u>	<u>\$ 4,926,000</u>
Basic income per share				
Income from continuing operations	\$ 0.31	\$ 0.29	\$ 0.53	\$ 0.52
Income from discontinued operations	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.41</u>	<u>\$ 0.29</u>
Net income	<u>\$ 0.31</u>	<u>\$ 0.29</u>	<u>\$ 0.94</u>	<u>\$ 0.81</u>
Diluted income per share				
Income from continuing operations	\$ 0.29	\$ 0.27	\$ 0.50	\$ 0.48
Income from discontinued operations	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.39</u>	<u>\$ 0.27</u>
Net income	<u>\$ 0.29</u>	<u>\$ 0.27</u>	<u>\$ 0.89</u>	<u>\$ 0.75</u>
Weighted average shares used in computing income per share				
Basic	<u>5,984,000</u>	<u>6,119,000</u>	<u>6,075,000</u>	<u>6,069,000</u>
Diluted	<u>6,309,000</u>	<u>6,562,000</u>	<u>6,391,000</u>	<u>6,530,000</u>

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

	<u>Sept. 28, 2008</u>	<u>Mar. 30, 2008</u>
	(Unaudited)	
Assets		
Current assets	\$ 44,612,000	\$ 42,782,000
Property and equipment, net	4,309,000	4,428,000
Note receivable	1,613,000	1,305,000
Intangible assets, net	1,448,000	1,448,000
Other assets, net	<u>854,000</u>	<u>1,239,000</u>
Total assets	<u>\$ 52,836,000</u>	<u>\$ 51,202,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 7,489,000	\$ 7,132,000
Other long-term obligations	1,140,000	1,462,000
Stockholders' equity	<u>44,207,000</u>	<u>42,608,000</u>
Total liabilities and stockholders' equity	<u>\$ 52,836,000</u>	<u>\$ 51,202,000</u>