

To Our Shareholders

Net income for the thirty-nine weeks ended December 28, 2003 was \$1,837,000 or \$0.35 per basic share and \$0.33 per diluted share as compared to a net loss of \$11,988,000 or \$1.96 per basic share and \$1.92 per diluted share for the thirty-nine weeks ended December 29, 2002. Earnings from continuing operations was \$1,837,000 or \$0.35 per basic share and \$0.33 per diluted share for the thirty-nine weeks ended December 28, 2003 as compared to \$554,000 or \$0.09 per basic and diluted share for the thirty-nine weeks ended December 29, 2002.

During the thirty-nine weeks ended December 29, 2002, Nathan's adopted SFAS No. 142, "Accounting for Goodwill and Other Intangibles". In connection with the implementation of this standard, goodwill and certain other intangible assets were written down by \$12,338,000 or \$2.02 per basic share and \$1.97 per diluted share, net of tax.

During the thirty-nine weeks ended December 28, 2003 Nathan's recorded impairment charges on notes receivable of \$100,000. During the thirty-nine weeks ended December 29, 2002, Nathan's recorded impairment charges on long-lived assets of \$471,000, impairment charges on notes receivable of \$542,000 and realized a gain of \$135,000 from the early termination of a sales agreement for its Branded Product Program.

Total revenue from continuing operations was \$24,300,000 during the thirty-nine weeks ended December 28, 2003 as compared to \$26,767,000 during the thirty-nine weeks ended December 29, 2002. Systemwide sales of the Company's brands, including franchisee sales and supermarket sales by the Company's hot dog licensee, were \$182,351,000 for the thirty-nine weeks ended December 28, 2003, as compared to \$190,541,000 for the thirty-nine weeks ended December 29, 2002.

Net income for the quarter ended December 28, 2003 was \$237,000 or \$0.04 per basic and diluted share as compared to net loss of \$106,000 or \$0.02 per basic and diluted share for the quarter ended December 29, 2002. Earnings from continuing operations was \$237,000 or \$0.04 per basic and diluted share for the quarter ended December 28, 2003 as compared to \$102,000 or \$0.02 per basic and diluted share for the quarter ended December 29, 2002. Total revenue from continuing operations was \$6,528,000 during the quarter ended December 28, 2003 as compared to \$7,537,000 during the quarter ended December 29, 2002.

Fewer Company-owned restaurants operated during the thirty-nine weeks ended December 28, 2003, which lowered sales from continuing operations by approximately \$3,973,000 and lowered restaurant operating profits by approximately \$95,000 (excluding \$103,000 of royalties earned from six Company-owned restaurants that were franchised) as compared to the thirty-nine weeks ended December 29, 2002.

The Branded Product Program, featuring the sale of Nathan's hot dogs to the foodservice industry, has continued its growth, generating sales of approximately \$5,899,000 during the thirty-nine weeks ended December 28, 2003 as compared to \$4,894,000 for the thirty-nine weeks ended December 29, 2002, representing a 20.5% increase.

License royalties were \$2,330,000 during the thirty-nine weeks ended December 28, 2003, representing an increase of \$408,000 from the prior year due to the addition of new license agreements for the sale of Nathan's products.

General and administrative expenses were reduced by \$594,000 or 9.7% during the thirty-nine weeks ended December 28, 2003 due in part to the Company's personnel reduction plan implemented in connection with the reduced number of company operated restaurants.

To date, the Company has also repurchased an additional 792,154 shares of common stock pursuant to its share repurchase program adopted on October 7, 2002 to repurchase up to an additional 1 million shares of its common stock. These purchases are in addition to the previously completed repurchase of 1 million shares of its common stock pursuant to its share repurchase program adopted on September 14, 2001.

Since the USDA announced that a single cow tested positive for BSE on December 23, 2003, the demand for Nathan's products has continued to be strong. Nathan's products have not come from the meat processing plants associated with the production of products having to do with this incident. Nathan's has not experienced any material financial impact in connection with this incident.

At December 28, 2003, Nathan's Famous, Inc. consisted of 341 franchised or licensed units, 7 company-owned units and more than 3,100 Branded Product points of sale, located in 42 states, the District of Columbia and 14 foreign countries 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>Thirty-nine weeks Ended</u>	
	<u>(unaudited)</u>		<u>(unaudited)</u>	
	<u>Dec. 28, 2003</u>	<u>Dec. 29, 2002</u>	<u>Dec. 28 2003</u>	<u>Dec. 29, 2002</u>
Total revenues from continuing operations	\$ 6,528,000	\$ 7,537,000	\$ 24,300,000	\$ 26,767,000
Income from continuing operations	\$ 237,000	\$ 102,000	\$ 1,837,000	\$ 554,000
(Loss) income from discontinued operations	\$ —	\$ (208,000)	\$ —	\$ (204,000)
Cumulative effect of change in accounting principle, net of income tax benefit of \$854,000 in 2002	\$ —	\$ —	\$ —	\$ (12,338,000)
Net income (loss)	<u>\$ 237,000</u>	<u>\$ (106,000)</u>	<u>\$ 1,837,000</u>	<u>\$ (11,988,000)</u>
Basic income (loss) per share				
Income from continuing operations	\$ 0.04	\$ 0.02	\$ 0.35	\$ 0.09
Loss from discontinued operations	\$ —	\$ (0.04)	\$ —	\$ (0.03)
Cumulative effect of change in accounting principle	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2.02)</u>
Net income (loss)	<u>\$ 0.04</u>	<u>\$ (0.02)</u>	<u>\$ 0.35</u>	<u>\$ (1.96)</u>
Diluted income (loss) per share				
Income from continuing operations	\$ 0.04	\$ 0.02	\$ 0.33	\$ 0.09
Loss from discontinued operations	\$ —	\$ (0.04)	\$ —	\$ (0.04)
Cumulative effect of change in accounting principle	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1.97)</u>
Net income (loss)	<u>\$ 0.04</u>	<u>\$ (0.02)</u>	<u>\$ 0.33</u>	<u>\$ (1.92)</u>
Weighted average shares used in computing per share information				
Basic	<u>5,286,000</u>	<u>5,878,000</u>	<u>5,323,000</u>	<u>6,113,000</u>
Diluted	<u>5,742,000</u>	<u>5,967,000</u>	<u>5,604,000</u>	<u>6,256,000</u>

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

	Dec. 28, <u>2003</u> (Unaudited)	March 30, <u>2003</u>
Assets		
Current assets	\$ 14,841,000	\$ 12,554,000
Property and equipment, net	5,758,000	6,263,000
Notes receivable, net	431,000	740,000
Intangible assets, net	3,224,000	3,414,000
Other assets	<u>2,491,000</u>	<u>2,915,000</u>
Total assets	<u>\$ 26,745,000</u>	<u>\$ 25,886,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 6,022,000	\$ 6,619,000
Notes payable and capitalized lease obligations less current maturities	909,000	1,053,000
Other long-term obligations	2,144,000	1,831,000
Stockholders' equity	<u>17,670,000</u>	<u>16,383,000</u>
Total liabilities and stockholders' equity	<u>\$ 26,745,000</u>	<u>\$ 25,886,000</u>