

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Act of 1934 for the quarterly period ended JUNE 28, 1998.
- Transition report pursuant to Section 13 or 15(d) of the Securities Act of 1934 for the transition period from _____ to _____.

Commission File Number 1-3189

NATHAN'S FAMOUS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	11-3166443 (IRS employer identification number)
---	---

1400 OLD COUNTRY ROAD, WESTBURY, NEW YORK
11590 (Address of principal executive offices
including zip code)

(516) 338-8500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

At June 28, 1998, an aggregate of 4,722,216 shares of the registrant's common stock, par value of \$.01, were outstanding.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

INDEX

	Page Number	
PART I.	FINANCIAL INFORMATION	
Item 1.	Consolidated Financial Statements (Unaudited)	
	Consolidated Balance Sheets - June 28, 1998 and March 29, 1998	3
	Consolidated Statements of Earnings - Thirteen Weeks Ended June 28, 1998 and June 29, 1997	4
	Consolidated Statements of Stockholders' Equity - Thirteen Weeks Ended June 28, 1998	5
	Consolidated Statements of Cash Flows - Thirteen Weeks Ended June 28, 1998 and June 29, 1997	6
	Notes to Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	8
PART II.	OTHER INFORMATION	
Item 6.	Exhibits and Reports on Form 8-K	11
SIGNATURES		12

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (In thousands, except share amounts)

	June 28, 1998 ----- (Unaudited)	March 29, 1998 -----
Current assets:		
Cash and cash equivalents including restricted cash of \$272 and \$273, respectively	\$ 1,105	\$ 1,306
Marketable investment securities	8,228	8,514
Franchise and other receivables, net	1,627	976
Inventory	352	356
Prepaid expenses and other current assets	44	276
Deferred income taxes	522	478
	-----	-----
Total current assets	11,878	11,906
Property and equipment, net	6,252	6,171
Intangible assets, net	11,173	11,270
Other assets, net	194	192
	-----	-----
	\$ 29,497	\$ 29,539
	=====	=====
Current liabilities:		
Accounts payable	\$ 661	\$ 956
Accrued expenses and other current liabilities	4,289	4,708
Deferred franchise fees	185	125
Current installments of obligations under capital leases	12	12
	-----	-----
Total current liabilities	5,147	5,801
Obligations under capital leases, net of current installments	6	9
Other liabilities	173	143
	-----	-----
Total liabilities	5,326	5,953
	-----	-----
Stockholders' equity:		
Common stock, \$.01 par value - 20,000,000 shares authorized, 4,722,216 issued and outstanding	47	47
Additional paid-in-capital	32,400	32,389
Accumulated deficit	(8,276)	(8,850)
	-----	-----
Total stockholders' equity	24,171	23,586
	-----	-----
	\$ 29,497	\$ 29,539
	=====	=====

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF EARNINGS
 THIRTEEN WEEKS ENDED JUNE 28, 1998 AND JUNE 29, 1997
 (In thousands, except per share amounts)
 (Unaudited)

	1998	1997
	-----	-----
Sales	\$6,568	\$5,907
Franchise fees and royalties	738	671
License royalties	381	405
Investment and other income	134	379
	-----	-----
Total revenues	7,821	7,362
	-----	-----
Costs and expenses:		
Cost of sales	4,008	3,503
Restaurant operating expenses	1,451	1,613
Depreciation and amortization	254	252
Amortization of intangible assets	96	96
General and administrative	1,248	1,103
Interest expense	1	1
	-----	-----
Total costs and expenses	7,058	6,568
	-----	-----
Earnings before income taxes	763	794
Provision for income taxes	189	320
	-----	-----
Net earnings	\$ 574	\$ 474
	=====	=====
PER SHARE INFORMATION		
Net earnings per share		
Basic	\$ 0.12	\$ 0.10
	=====	=====
Diluted	\$ 0.12	\$ 0.10
	=====	=====
Shares used in computing net income		
Basic	4,722	4,722
	=====	=====
Diluted	4,762	4,766
	=====	=====

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 THIRTEEN WEEKS ENDED JUNE 28, 1998
 (In thousands, except share amounts)
 (Unaudited)

	Common Shares	Common Stock	Additional Paid in- Capital	Deferred Compen- sation	Accum- ulated Deficit	Total Stock- holders' Equity
Balance, March 29, 1998	4,722,216	\$ 47	\$ 32,423	\$ (34)	\$ (8,850)	\$ 23,586
Amortization of deferred compensation relating to restricted stock				11		11
Net earnings	-----	-----	-----	-----	574	574
Balance, June 28, 1998	<u>4,722,216</u>	<u>\$ 47</u>	<u>\$ 32,423</u>	<u>\$ (23)</u>	<u>\$ (8,276)</u>	<u>\$ 24,171</u>

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THIRTEEN WEEKS ENDED JUNE 28, 1998 AND JUNE 29, 1997
(In thousands)
(Unaudited)

	1998 -----	1997 -----
Cash flows from operating activities:		
Net earnings	\$ 574	\$ 474
Adjustments to reconcile net earnings to net cash provided by / (used in) operating activities:		
Depreciation	254	252
Amortization of intangible assets	96	96
Provision for doubtful accounts	15	15
Amortization of deferred compensation	12	12
Gain on the sale of restaurant	--	(130)
Deferred income taxes	(44)	--
Changes in assets and liabilities:		
Marketable investment securities	286	(210)
Franchise and other receivables	(666)	(327)
Inventory	4	(4)
Prepaid and other current assets	232	244
Accounts payable and accrued expenses	(714)	(297)
Deferred franchise fees	60	14
Other assets	(2)	26
Other non current liabilities	30	1
	-----	-----
Net cash provided by operating activities	137	166
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(336)	(699)
Proceeds from the sale of property and equipment	--	130
	-----	-----
Net cash used in investing activities	(336)	(569)
	-----	-----
Cash flows from financing activities:		
Principal repayment of obligations under capital leases	(2)	(3)
	-----	-----
Net cash used in financing activities	(2)	(3)
	-----	-----
Net decrease in cash and cash equivalents	(201)	(406)
Cash and cash equivalents, beginning of period	1,306	647
	-----	-----
Cash and cash equivalents, end of period	\$ 1,105	\$ 241
	=====	=====
Cash paid during the period for:		
Interest	\$ 1	\$ 1
Income taxes	263	260

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 28, 1998

NOTE A - BASIS OF PRESENTATION

The accompanying consolidated financial statements of Nathan's Famous, Inc. and subsidiaries (the "Company") for the thirteen week periods ended June 28, 1998 and June 29, 1997 have been prepared in accordance with generally accepted accounting principles. The unaudited financial statements include all adjustments (consisting of normal recurring adjustments) which, in the opinion of management, were necessary for a fair presentation of financial condition, results of operations and cash flows for such periods presented. However, these results are not necessarily indicative of results for any other interim period or the full year.

Certain information and footnote disclosures normally included in financial statements in accordance with generally accepted accounting principles have been omitted pursuant to the requirements of the Securities and Exchange Commission. Management believes that the disclosures included in the accompanying interim financial statements and footnotes are adequate to make the information not misleading, but should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 29, 1998.

NOTE B - RECLASSIFICATIONS

Certain reclassifications of prior period balances have been made to conform to the June 28, 1998 presentation.

NOTE C - EARNINGS PER SHARE

The following chart provides a reconciliation of information used in calculating the per share amounts for the thirteen week periods ended June 28, 1998 and June 29, 1997, respectively.

	Net Income		Number of Shares		Net Income Per Share	
	1998	1997	1998	1997	1998	1997
Basic EPS						
Basic calculation	\$ 574	\$ 474	4,722	4,722	\$.12	\$.10
Effect of dilutive employee stock						
Options and warrants	--	--	40	44	--	--
Diluted EPS						
Diluted calculation	\$ 574	\$ 474	4,762	4,766	\$.12	\$.10

In the first quarter of fiscal 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income", which requires companies to report all changes in equity during a period, except those resulting from investment by owners and distribution to owners, in a financial statement for the period in which they are recognized. Comprehensive income is the total of net income and all nonowner changes in equity (or other comprehensive income) such as unrealized gains / losses on securities available-for-sale, foreign currency translation adjustment and minimum pension liability adjustments. Comprehensive and other comprehensive income must be reported on the face of the annual financial statements or in the case of interim reporting, in the footnotes to the financial statements. For fiscal 1998 and for the quarters ended June 28, 1998 and June 29, 1997, the Company's operations did not give rise to items includible in comprehensive income which were not already included in net income. Therefore, the Company's comprehensive income is the same as its net income for all periods presented.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Thirteen weeks ended June 28, 1998 compared to June 29, 1997

Revenues

Total sales increased 11.2% or \$661,000 to \$6,568,000 for the thirteen weeks ended June 28, 1998 ("first quarter fiscal 1999") from \$5,907,000 for the thirteen weeks ended June 29, 1997 ("first quarter fiscal 1998"). Company-owned restaurant sales increased 2.9% or \$168,000 to \$5,992,000 from \$5,824,000. Comparable unit sales (units operating for 18 months or longer as of the beginning of the fiscal year), were flat in the first quarter fiscal 1999 versus the first quarter fiscal 1998. The Company continues to emphasize local store marketing activities and value pricing strategies and will be complimenting these activities with a radio and billboard campaign during the summer 1998. The Company has recently completed the renovation of its 86th Street restaurant in Brooklyn, NY, including a drive-thru operation, and is currently renovating its restaurant in the Kings Plaza Shopping Center. Plans are currently being considered to renovate and modernize the appearance and design of certain other Company-owned units. At June 28, 1998 and June 29, 1997, there were 27 and 24 Company-owned units, respectively. Sales from the Branded Product Program which was introduced in the first quarter fiscal 1998 were \$576,000 for the first quarter fiscal 1999 as compared to sales of \$ 83,000 in the first quarter fiscal 1998.

Franchise fees and royalties increased by \$67,000 or 10.0% to \$738,000 in the first quarter fiscal 1999 compared to \$671,000 in the first quarter fiscal 1998. Franchise royalties increased by \$70,000 or 12.3% to \$638,000 in the first quarter fiscal 1999 as compared to \$568,000 in the first quarter fiscal 1998. Franchise restaurant sales, upon which royalties are based, increased by \$1,637,000, to \$15,598,000 in the first quarter fiscal 1999 as compared to \$13,961,000 in the first quarter fiscal 1998. The majority of the sales increase can be attributed to the new franchised and licensed units operating during the first quarter fiscal 1999. At June 28, 1998 there were

158 franchised or licensed restaurants as compared to 150 at June 29, 1997. Franchise fee income was \$100,000 in the first quarter fiscal 1999 as compared to \$103,000 in the first quarter fiscal 1998. During the first quarter fiscal 1999, 3 new franchised or licensed units opened.

License royalties decreased by \$24,000 or 5.9% to \$381,000 in the first quarter fiscal 1999 as compared to \$405,000 in the first quarter fiscal 1998. This decrease is partially attributable to lower sales by the Company's licensee, SMG, Inc., for the sale of Nathan's frankfurters in supermarkets. In the first quarter fiscal 1999, the Company earned royalties of approximately \$50,000 in connection with a new license agreement for the sale of Nathan's home meal replacements in supermarkets. During the first quarter fiscal 1998 the Company recognized income of \$60,000 from the amortization of the deferred fee received from SMG, Inc. which was fully amortized in March 1998.

Investment and other income was \$134,000 in the first quarter fiscal 1999 versus \$379,000 in the first quarter fiscal 1998. Approximately \$120,000 of the decrease is the result of lower earnings on the Company's marketable investment securities as a result of the change in performance of the financial markets. During fiscal 1998, the Company also recognized a gain of approximately \$130,000 from the sale of an underperforming restaurant.

Costs and Expenses

Cost of sales increased by \$505,000 from \$3,503,000 in the first quarter fiscal 1998 to \$4,008,000 in the first quarter fiscal 1999. Higher costs were incurred in conjunction with the growth of the Branded Product Program and the three additional restaurants operating during the first quarter fiscal 1999. The cost of restaurant sales was 59.6% of restaurant sales in the first quarter fiscal 1999 as compared to 58.9% of restaurant sales in the first quarter fiscal 1998. This increase is due primarily to higher food and labor costs associated with the Company's ongoing promotional activities and the impact of the minimum wage increase which took effect in September 1997. The Company continues to seek to operate more efficiently as a means to minimize the margin pressures which have become an integral part of competing in the current value conscious marketplace.

Restaurant operating expenses decreased by \$162,000 from \$1,613,000 in the first quarter fiscal 1998 to \$1,451,000 in the first quarter fiscal 1999. This decrease can be partly attributed to reduced costs resulting from the closure of two unprofitable restaurants in June 1997 and April 1998. As a percentage of restaurant sales, restaurant operating expenses were 24.2% in the first quarter fiscal 1999 as compared to 27.7% in the first quarter fiscal 1998.

Depreciation and amortization increased by \$2,000 or 0.8% from \$252,000 in the first quarter fiscal 1998 to \$254,000 in the first quarter fiscal 1999. Amortization of intangibles was \$96,000 in both fiscal years.

General and administrative expenses increased by \$145,000 or 13.1% to \$1,248,000 in the first quarter fiscal 1999 as compared to \$1,103,000 in the first quarter fiscal 1998. Approximately \$71,000 of the increase relates to salaries primarily to support the Company's new growth initiatives, \$29,000 relates to international

development efforts and \$24,000 is associated with management incentive plans based upon the achievement of predetermined financial targets.

Income Tax Provision

In the first quarter fiscal 1999, the income tax provision was \$189,000 or 24.8% of earnings before income taxes. In fiscal 1998, management of the Company determined that, more likely than not, a portion of its previously-reserved deferred tax assets would be realized and, accordingly, reduced the related valuation allowance. Management continues to monitor the likelihood of the realizability of its deferred tax asset and has recognized, based upon the current facts and circumstances, further adjustment to its deferred tax valuation allowance in accordance with Financial Accounting Standards Board Statement No. 109 "Accounting for Income Taxes". In the first quarter fiscal 1999 the Company reduced its valuation allowance by \$136,000. The first quarter fiscal 1999 provision before adjustment for the valuation allowance was \$325,000 or 42.5% of income before taxes. In the first quarter fiscal 1998, the income tax provision was \$320,000 or 40.3% of income before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at June 28, 1998 aggregated \$1,105,000, decreasing by \$201,000 during the fiscal 1999 period. At June 28, 1998, marketable investment securities totalled \$8,228,000 and net working capital increased to \$6,731,000 from \$6,105,000 at March 29, 1998.

Cash provided by operations of \$137,000 in the fiscal 1999 period is primarily attributable to net income of \$574,000, non-cash charges of \$377,000, including depreciation and amortization of \$350,000, decreases in marketable investment securities of \$286,000 and prepaid and other current assets of \$232,000, a decrease in accounts payable and accrued expenses of \$714,000, and an increase in franchise and other receivables of \$666,000.

Cash used in investing activities of \$336,000 represents capital acquisitions relating to the renovations of a Company-owned restaurant and other fixed asset additions.

Management believes that available cash, marketable investment securities, and internally generated funds should provide sufficient capital for its planned operations and expansion program through fiscal 1999. The Company also maintains a \$5,000,000 uncommitted bank line of credit. The Company has not borrowed any funds to date under this line of credit.

YEAR 2000

The Company has undergone an internal evaluation of its computer systems and has determined that its existing computer systems would require a significant amount of effort and cost in order to make them Year 2000 compliant. Accordingly, in order to meet the growing business requirements and assure Year 2000 compliance,

the Company has decided to replace its existing accounting systems. In July 1998, the Company entered into a contract to license Lawson Accounting software which has been assured to be Year 2000 compliant. A consultant is currently implementing the Lawson software and will assist in the conversion of the Company's old accounting information. The Company believes that the implementation can be accomplished in a timely manner. The Company estimates the capital cost associated with this effort to be approximately \$350,000, however, there can be no assurance to this effect. Additionally, the Company has addressed the Year 2000 issue with its Point of Sale provider and has been assured that their systems will be Year 2000 compliant. The Company cannot predict the effect of the Year 2000 problem on the vendors and others with which the Company transacts business and there can be no assurance that the effect of the Year 2000 problem on such entities will not have a material adverse effect on the Company's business, operating results and financial position.

FORWARD LOOKING STATEMENT

Certain statements contained in this report are forward-looking statements which are subject to a number of known and unknown risks and uncertainties that could cause the Company's actual results and performance to differ materially from those described or implied in the forward looking statements. These risks and uncertainties, many of which are not within the Company's control, include, but are not limited to economic, weather, legislative and business conditions; the availability of suitable restaurant sites on reasonable rental terms; changes in consumer tastes; ability to continue to attract franchisees; the ability to purchase our primary food and paper products at reasonable prices; no material increases in the minimum wage; and the Company's ability to attract competent restaurant, and managerial personnel.

PART II. OTHER INFORMATION

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None.

(b) No reports on Form 8-K were filed during the quarter ended June 28, 1998.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATHAN'S FAMOUS, INC.

Date: August 7, 1998

By: /s/ Wayne Norbitz

Wayne Norbitz
President and Chief Operating Officer
(Principal Executive Officer)

Date: August 7, 1998

By: /s/ Ronald G. DeVos

Ronald G. DeVos
Vice President - Finance
and Chief Financial Officer
(Principal Financial and Accounting Officer)

3-MOS

	MAR-28-1999	
	MAR-30-1998	
	JUN-28-1998	1105
		8228
		2185
		558
		352
	11878	14118
		7866
	29497	
5147		0
0		0
		47
	24124	
29497		6568
	7821	4008
		1801
	1233	
	15	
	1	
	763	
	189	
574		0
		0
		0
		574
		0.12
		0.12