

To Our Shareholders

Net income for the twenty-six weeks ended September 28, 2003 was \$1,600,000 or \$0.30 per basic share and \$0.29 per diluted share as compared to a net loss of \$11,882,000 or \$1.91 per basic share and \$1.86 per diluted share for the twenty-six weeks ended September 29, 2002. Earnings from continuing operations was \$1,600,000 or \$0.30 per basic share and \$0.29 per diluted share for the twenty-six weeks ended September 28, 2003 as compared to \$452,000 or \$0.07 per basic and diluted share for the twenty-six weeks ended September 29, 2002.

During the twenty-six weeks ended September 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 \$1.98 per basic share and \$1.93 per diluted share, net of tax.

During the twenty-six weeks ended September 28, 2003 Nathan's recorded impairment charges on notes receivable of \$56,000. During the twenty-six weeks ended September 29, 2002, Nathan's recorded impairment charges on long-lived assets of \$421,000, impairment charges on notes receivable of \$320,000 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 \$17,772,000 during the twenty-six weeks ended September 28, 2003 as compared to \$19,230,000 in the twenty-six weeks ended September 29, 2002. Systemwide sales of the Company's brands, including franchisee sales and supermarket sales by the Company's hot dog licensee, were \$125,354,000 for the twenty-six weeks ended September 28, 2003, as compared to \$130,183,000 for the twenty-six weeks ended September 29, 2002.

Net income for the quarter ended September 28, 2003 was \$856,000 or \$0.16 per basic share and \$0.15 per diluted share as compared to \$110,000 or \$0.02 per basic and diluted share for the quarter ended September 29, 2002. Earnings from continuing operations was \$856,000 or \$0.16 per basic share and \$0.15 per diluted share for the quarter ended September 28, 2003 as compared to \$160,000 or \$0.03 per basic and diluted share for the quarter ended September 29, 2002. Total revenue from continuing operations were \$8,754,000 during the quarter ended September 28, 2003 as compared to \$9,564,000 during the quarter ended September 29, 2002.

Fewer Company-owned restaurants operated during the twenty-six weeks ended September 28, 2003, which lowered sales from continuing operations by approximately \$2,482,000 and lowered restaurant operating profits by approximately \$113,000 (excluding \$59,000 of royalties earned from six Company-owned restaurants that were franchised) as compared to the twenty-six weeks ended September 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 \$4,170,000 during the twenty-six weeks ended September 28, 2003 as compared to \$3,482,000 for the twenty-six weeks ended September 29, 2002, representing a 19.8% increase.

License royalties of \$1,656,000 were earned during the twenty-six weeks ended September 28, 2003, representing an increase of \$257,000 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 \$544,000 or 13.1% during the twenty-six weeks ended September 28, 2003 due in part to the Company's personnel reduction plan.

The Company has also repurchased an additional 777,845 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.

At September 28, 2003, Nathan's Famous, Inc. consisted of 341 franchised or licensed units, 7 company-owned units and more than 3,000 Branded Product points of sale, located in forty-two states, the District of Columbia and thirteen 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> (unaudited)		<u>Twenty-six weeks Ended</u> (unaudited)	
	<u>Sept. 28, 2003</u>	<u>Sept. 29, 2002</u>	<u>Sept. 28 2003</u>	<u>Sept. 29, 2002</u>
Total revenues from continuing operations	\$ 8,754,000	\$ 9,564,000	\$ 17,772,000	\$ 19,230,000
Income from continuing operations	\$ 856,000	\$ 160,000	\$ 1,600,000	\$ 452,000
(Loss) income from discontinued operations	\$ —	\$ (50,000)	\$ —	\$ 4,000
Cumulative effect of change in accounting principle, net of income taxes of \$854,000	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$(12,338,000)</u>
Net income (loss)	<u>\$ 856,000</u>	<u>\$ 110,000</u>	<u>\$ 1,600,000</u>	<u>\$ (11,882,000)</u>
Basic income (loss) per share				
Income from continuing operations	\$ 0.16	\$ 0.03	\$ 0.30	\$ 0.07
(Loss) income from discontinued operations	\$ —	\$ (0.01)	\$ —	\$ 0.00
Cumulative effect of change in accounting principle	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1.98)</u>
Net income (loss)	<u>\$ 0.16</u>	<u>\$ 0.02</u>	<u>\$ 0.30</u>	<u>\$ (1.91)</u>
Diluted income (loss) per share				
Income from continuing operations	\$ 0.15	\$ 0.03	\$ 0.29	\$ 0.07
(Loss) income from discontinued operations	\$ —	\$ (0.01)	\$ —	\$ 0.00
Cumulative effect of change in accounting principle	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1.93)</u>
Net income (loss)	<u>\$ 0.15</u>	<u>\$ 0.02</u>	<u>\$ 0.29</u>	<u>\$ (1.86)</u>
Weighted average shares used in computing per share information				
Basic	<u>5,313,000</u>	<u>6,105,000</u>	<u>5,342,000</u>	<u>6,230,000</u>
Diluted	<u>5,593,000</u>	<u>6,229,000</u>	<u>5,536,000</u>	<u>6,401,000</u>

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

	Sept. 28, <u>2003</u> (Unaudited)	March 30, <u>2003</u>
Assets		
Current assets	\$ 15,158,000	\$ 12,554,000
Property and equipment, net	5,992,000	6,263,000
Notes receivable, net	400,000	740,000
Intangible assets, net	3,289,000	3,414,000
Other assets	<u>2,898,000</u>	<u>2,915,000</u>
Total assets	<u>\$ 27,737,000</u>	<u>\$ 25,886,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 7,277,000	\$ 6,619,000
Notes payable and capitalized lease obligations less current maturities	953,000	1,053,000
Other long-term obligations	2,026,000	1,831,000
Stockholders' equity	<u>17,481,000</u>	<u>16,383,000</u>
Total liabilities and stockholders' equity	<u>\$ 27,737,000</u>	<u>\$ 25,886,000</u>