

## *To Our Shareholders*

Management is extremely pleased that this is the eighteenth consecutive quarter in which quarterly profits from continuing operations have increased as compared to the same period of the prior year and that Nathan's was named to the Forbes 200 Best Small Companies in America in Forbes' October 29, 2007 issue.

For the quarter ended September 23, 2007, income from continuing operations increased by 20.1% to \$1,774,000, as compared to \$1,477,000 for the quarter ended September 24, 2006. Total revenue from continuing operations increased by 12.2% to \$14,062,000, as compared to \$12,534,000 during the quarter ended September 24, 2006.

Net income for the quarter was \$1,774,000 or \$0.27 per diluted share, as compared to \$1,844,000 or \$0.30 per diluted share for the quarter ended September 24, 2006. During the year-ago period, Nathan's realized a one-time gain in the amount of \$400,000 before tax and \$239,000 after tax relating to the sale of a leasehold interest.

For the twenty-six weeks ended September 23, 2007, income from continuing operations increased by 18.5% to \$3,198,000, as compared to \$2,698,000 for the twenty-six weeks ended September 24, 2006. Total revenue from continuing operations increased by 11.2% to \$26,841,000, as compared to \$24,132,000 during the twenty-six weeks ended September 24, 2006.

Net income for the current twenty-six week period was \$4,926,000 or \$0.75 per diluted share, as compared to \$3,240,000 or \$0.52 per diluted share for the twenty-six weeks ended September 24, 2006. During the current year's period, Nathan's realized gains from the sale of certain leasehold interests in Florida and from the sale of its formerly wholly owned subsidiary, Miami Subs Corporation. These gains amounted to \$2,489,000 before tax and \$1,598,000 after tax.

We have completed the previously authorized repurchase of 2,000,000 shares of common stock and the Board of Directors has authorized the purchase of up to an additional 500,000 shares of its common stock on behalf of the Company. Purchases will be made from time to time, depending on market conditions, in open market or privately negotiated transactions, at prices deemed appropriate by management. There is no set time limit on the repurchases.

The Branded Product Program, featuring the sale of Nathan's hot dogs to the foodservice industry, has continued to grow over the prior year. Sales increased by 11.9% to \$11,124,000 for the fiscal 2008 period as compared to sales of \$9,937,000 in the fiscal 2007 period.

Revenues and operating profits from Nathan's company-owned restaurants, restaurant franchising, retail licensing and sales to our television marketer, increased by \$1,229,000 or 8.9% and \$1,052,000 or 16.5%, respectively, compared to the fiscal 2007 period.

Nathan's products are distributed in 50 states, the District of Columbia and 14 foreign countries through its restaurant system, Branded Product Program and retail licensing activities. At September 23, 2007, the Nathan's restaurant system consisted of 308 units, including 302 franchised or licensed units and six company-owned units (including one seasonal unit) featuring the Nathan's and Kenny Rogers Roasters brands. For additional information about Nathan's or Kenny Rogers Roasters 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. 23, 2007</u>	<u>Sept. 24, 2006</u>	<u>Sept. 23, 2007</u>	<u>Sept. 24, 2006</u>
Total revenues from continuing operations	\$ 14,062,000	\$ 12,534,000	\$ 26,841,000	\$ 24,132,000
Income from continuing operations	\$ 1,774,000	\$ 1,477,000	\$ 3,198,000	\$ 2,698,000
Income from discontinued operations	<u>\$ 0</u>	<u>\$ 367,000</u>	<u>\$ 1,728,000</u>	<u>\$ 542,000</u>
Net income	<u>\$ 1,774,000</u>	<u>\$ 1,844,000</u>	<u>\$ 4,926,000</u>	<u>\$ 3,240,000</u>
Basic income per share				
Income from continuing operations	\$ 0.29	\$ 0.26	\$ 0.53	\$ 0.47
Income from discontinued operations	<u>\$ 0.00</u>	<u>\$ 0.06</u>	<u>\$ 0.28</u>	<u>\$ 0.09</u>
Net income	<u>\$ 0.29</u>	<u>\$ 0.32</u>	<u>\$ 0.81</u>	<u>\$ 0.56</u>
Diluted income per share				
Income from continuing operations	\$ 0.27	\$ 0.24	\$ 0.49	\$ 0.43
Income from discontinued operations	<u>\$ 0.00</u>	<u>\$ 0.06</u>	<u>\$ 0.26</u>	<u>\$ 0.09</u>
Net income	<u>\$ 0.27</u>	<u>\$ 0.30</u>	<u>\$ 0.75</u>	<u>\$ 0.52</u>
Weighted average shares used in computing income per share				
Basic	<u>6,119,000</u>	<u>5,773,000</u>	<u>6,069,000</u>	<u>5,753,000</u>
Diluted	<u>6,562,000</u>	<u>6,227,000</u>	<u>6,530,000</u>	<u>6,266,000</u>

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

	<u>Sept. 23, 2007</u>	<u>Mar. 25, 2007</u>
	(Unaudited)	
Assets		
Current assets	\$ 39,072,000	\$ 36,821,000
Property and equipment, net	4,439,000	4,222,000
Notes receivable, net	1,614,000	-
Intangible assets, net	1,859,000	1,876,000
Other assets, net	<u>1,298,000</u>	<u>3,656,000</u>
Total assets	<u>\$ 48,282,000</u>	<u>\$ 46,575,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 6,600,000	\$ 9,446,000
Other long-term obligations	1,710,000	1,250,000
Stockholders' equity	<u>39,972,000</u>	<u>35,879,000</u>
Total liabilities and stockholders' equity	<u>\$ 48,282,000</u>	<u>\$ 46,575,000</u>