

To Our Shareholders

Management is proud to note that quarterly profits from continuing operations have exceeded profits achieved during the same period of the prior year for the tenth consecutive quarter.

Net income for the twenty-six weeks ended September 25, 2005 was \$4,277,000 or \$0.77 per basic share and \$0.66 per diluted share as compared to \$2,040,000 or \$0.39 per basic share and \$0.34 per diluted share for the twenty-six weeks ended September 26, 2004. Net income for the 2006 fiscal period includes the gain realized from the sale of real estate that occurred this quarter.

Earnings from continuing operations increased by 24.7% to \$2,561,000 or \$0.46 per basic share and \$0.39 per diluted share for the twenty-six weeks ended September 25, 2005 as compared to \$2,054,000 or \$0.39 per basic share and \$0.34 per diluted share for the twenty-six weeks ended September 26, 2004. Total revenue from continuing operations increased by 20.0% to \$23,007,000 during the twenty-six weeks ended September 25, 2005 as compared to \$19,173,000 during the twenty-six weeks ended September 26, 2004.

Net income for the thirteen weeks ended September 25, 2005 was \$3,108,000 or \$0.56 per basic share and \$0.48 per diluted share as compared to \$1,090,000 or \$0.21 per basic share and \$0.18 per diluted share for the thirteen weeks ended September 26, 2004.

Earnings from continuing operations increased by 25.8% to \$1,386,000 or \$0.25 per basic share and \$0.21 per diluted share for the thirteen weeks ended September 25, 2005 as compared to \$1,102,000 or \$0.21 per basic share and \$0.18 per diluted share for the thirteen weeks ended September 26, 2004. Total revenue from continuing operations increased by 17.6% to \$11,652,000 during the thirteen weeks ended September 25, 2005 as compared to \$9,908,000 during the thirteen weeks ended September 26, 2004.

The sale of a previously owned vacant parcel of land was completed during the twenty-six weeks ended September 25, 2005 whereby Nathan's realized a profit after tax of \$1,724,000 or \$0.31 and \$0.27 per basic and diluted share, respectively.

The Branded Product Program, featuring the sale of Nathan's hot dogs to the foodservice industry, has continued its growth. Sales increased by 58.7% to \$8,563,000 during the twenty-six weeks ended September 25, 2005 as compared to sales of \$5,396,000 during the twenty-six weeks ended September 26, 2004.

License royalties increased by 9.2% or \$167,000 to \$1,990,000 primarily from increased retail sales of Nathan's hot dogs by our existing licensee and from new product license agreements that commenced operations over the last year during the twenty-six weeks ended September 25, 2005 as compared to the twenty-six weeks ended September 26, 2004.

Nathan's retained its rankings as the number one retail selling "premium" all beef hot dog and the third highest retail selling all beef hot dog in the United States for the fifty-two weeks ended October 8, 2005.

Franchise revenues increased by 4.5% or \$151,000 to \$3,486,000 partly due to a sales increase of 2.7% from our comparable domestic franchised restaurants during the twenty-six weeks ended September 25, 2005 as compared to the twenty-six weeks ended September 26, 2004.

Sixteen new franchised units were opened, including three units in Japan, two units in the United Arab Emirates, one unit in Kuwait and our first unit in the Dominican Republic during the twenty-six weeks ended September 25, 2005.

Sales and profits from the six comparable company-owned restaurants operating at September 25, 2005, increased approximately \$278,000 or 3.9% and \$195,000 or 14.6%, respectively, over the prior fiscal period.

At September 25, 2005, Nathan's products were distributed in 48 states, the District of Columbia and 14 foreign countries through its restaurant system, Branded Product Program and retail licensing activities. At September 25, 2005, Nathan's restaurant system consisted of 361 franchised or licensed units and six company-owned units (including one seasonal unit) 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>Twenty-six weeks Ended</u>	
	(Unaudited)		(Unaudited)	
	<u>Sept. 25, 2005</u>	<u>Sept. 26, 2004</u>	<u>Sept. 25, 2005</u>	<u>Sept. 26, 2004</u>
Total revenues from continuing operations	\$ 11,652,000	\$ 9,908,000	\$ 23,007,000	\$ 19,173,000
Income from continuing operations	\$ 1,386,000	\$ 1,102,000	\$ 2,561,000	\$ 2,054,000
Income (loss) from discontinued operations	<u>\$ 1,722,000</u>	<u>\$ (12,000)</u>	<u>\$ 1,716,000</u>	<u>\$ (14,000)</u>
Net income	<u>\$ 3,108,000</u>	<u>\$ 1,090,000</u>	<u>\$ 4,277,000</u>	<u>\$ 2,040,000</u>
Basic income (loss) per share				
Income from continuing operations	\$ 0.25	\$ 0.21	\$ 0.46	\$ 0.39
Income (loss) from discontinued operations	<u>\$ 0.31</u>	<u>\$ (0.00)</u>	<u>\$ 0.31</u>	<u>\$ (0.00)</u>
Net income	<u>\$ 0.56</u>	<u>\$ 0.21</u>	<u>\$ 0.77</u>	<u>\$ 0.39</u>
Diluted income (loss) per share				
Income from continuing operations	\$ 0.21	\$ 0.18	\$ 0.39	\$ 0.34
Income (loss) from discontinued operations	<u>\$ 0.27</u>	<u>\$ (0.00)</u>	<u>\$ 0.27</u>	<u>\$ (0.00)</u>
Net income	<u>\$ 0.48</u>	<u>\$ 0.18</u>	<u>\$ 0.66</u>	<u>\$ 0.34</u>
Weighted average shares used in computing income (loss) per share				
Basic	<u>5,566,000</u>	<u>5,203,000</u>	<u>5,560,000</u>	<u>5,208,000</u>
Diluted	<u>6,527,000</u>	<u>5,924,000</u>	<u>6,501,000</u>	<u>5,918,000</u>

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

	Sept. 25, 2005 (Unaudited)	March 27, 2005
Assets		
Current assets	\$ 27,052,000	\$ 21,618,000
Property and equipment, net	4,445,000	4,583,000
Notes receivable, net	121,000	136,000
Intangible assets, net	2,764,000	2,895,000
Other assets	<u>2,014,000</u>	<u>2,037,000</u>
Total assets	<u>\$ 36,396,000</u>	<u>\$ 31,269,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 8,308,000	\$ 7,609,000
Notes payable and capitalized lease obligations less current maturities	605,000	692,000
Other long-term obligations	1,504,000	1,612,000
Stockholders' equity	<u>25,979,000</u>	<u>21,356,000</u>
Total liabilities and stockholders' equity	<u>\$ 36,396,000</u>	<u>\$ 31,269,000</u>