

To Our Shareholders

Net income for the quarter ended June 29, 2003 was \$744,000 or \$0.14 per basic and diluted share as compared to net loss of \$11,992,000 or \$1.89 per basic share and \$1.82 per diluted share for the quarter ended June 30, 2002. Earnings from continuing operations was \$744,000 or \$0.14 per basic and diluted share for the quarter ended June 29, 2003 as compared to \$292,000 or \$0.04 per basic and diluted share for the quarter ended June 30, 2002.

In the first quarter ended June 30, 2002, Nathan's adopted SFAS No. 142, "Accounting for Goodwill and Other Intangibles". In connection with the implementation of this new standard, goodwill and certain other intangible assets were written down by \$12,338,000 or \$1.94 per basic share and \$1.87 per diluted share, net of tax.

During the first quarter ended June 30, 2002, Nathan's recorded impairment charges on long-lived assets of \$421,000 relating to three under-performing restaurants and realized a gain of \$135,000 from the early termination of a sales agreement for its Branded Product Program.

Total revenues from continuing operations were \$9,018,000 in the first quarter ended June 29, 2003 as compared to \$9,666,000 in the first quarter ended June 30, 2002. Systemwide sales of the Company's brands, including supermarket sales by the Company's hot dog licensee, were \$61,442,000 for the thirteen weeks ended June 29, 2003, as compared to \$67,400,000 for the thirteen weeks ended June 30, 2002.

Fewer Company-owned restaurants operated during the quarter ended June 29, 2003, which lowered revenues from continuing operations by approximately \$985,000 and lowered restaurant operating profits by approximately \$3,000 (excluding royalties earned from four Company-owned restaurants that were franchised) as compared to the quarter ended June 30, 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 \$2,247,000 during the quarter ended June 29, 2003 as compared to \$1,666,000, representing a 34.9% increase over the quarter ended June 30, 2002.

Higher revenues from franchising activities due to higher fees from new unit openings offset lower franchise royalties due to lower franchise sales primarily in the Southern Florida market.

Higher license royalties were earned during the quarter ended June 29, 2003 from the addition of new license agreements for the sale of Nathan's products.

The Company completed the repurchase of 1 million shares of its common stock pursuant to its share repurchase program adopted on September 14, 2001. The Company has also repurchased an additional 745,519 shares pursuant to its share repurchase program adopted on October 7, 2002 to repurchase up to an additional 1 million shares of its common stock.

At June 29, 2003, Nathan's Famous, Inc. consisted of 349 franchised or licensed units, 9 company-owned units and more than 2,500 Branded Product points of sale, located throughout forty-one states, the District of Columbia and twelve 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>June 29, 2003</u>	<u>June 30, 2002</u>
Total revenues	\$ 9,018,000	\$ 9,666,000
Income from continuing operations	\$ 744,000	\$ 292,000
Income from discontinued operations	\$ —	\$ 54,000
Cumulative effect of change in accounting principle, net of income taxes of \$854,000 in 2002.	<u>\$ —</u>	<u>\$ (12,338,000)</u>
Net income (loss)	<u>\$ 744,000</u>	<u>\$ (11,992,000)</u>
Basic income (loss) per share		
Income from continuing operations	\$ 0.14	\$ 0.04
Income from discontinued operations	\$ —	\$ 0.01
Cumulative effect of change in accounting principle	<u>—</u>	<u>(1.94)</u>
Net income (loss)	<u>\$ 0.14</u>	<u>\$ (1.89)</u>
Diluted income (loss) per share		
Income from continuing operations	\$ 0.14	\$ 0.04
Income from discontinued operations	\$ —	\$ 0.01
Cumulative effect of change in accounting principle	<u>—</u>	<u>(1.87)</u>
Net income (loss)	<u>\$ 0.14</u>	<u>\$ (1.82)</u>
Weighted average shares used in computing per share information		
Basic	<u>5,370,000</u>	<u>6,354,000</u>
Diluted	<u>5,478,000</u>	<u>6,573,000</u>

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

	June. 29, <u>2003</u> (Unaudited)	March 30, <u>2003</u>
Assets		
Current assets	\$ 13,446,000	\$ 12,554,000
Property and equipment, net	6,136,000	6,263,000
Notes receivable, net	877,000	740,000
Intangible assets, net	3,349,000	3,414,000
Other assets	<u>2,890,000</u>	<u>2,915,000</u>
Total assets	<u>\$ 26,698,000</u>	<u>\$ 25,886,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 6,513,000	\$ 6,619,000
Notes payable and capitalized lease obligations less current maturities	1,010,000	1,053,000
Other long-term obligations	2,244,000	1,831,000
Stockholders' equity	<u>16,931,000</u>	<u>16,383,000</u>
Total liabilities and stockholders' equity	<u>\$ 26,698,000</u>	<u>\$ 25,886,000</u>