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MORGAN'S FOODS ANNOUNCES SECOND QUARTER FISCAL 2005 RESULTS

Beachwood, Ohio (September 29, 2004) -- Morgan's Foods, Inc. (OTC:MRFD) (www.morgansfoods.com) today announced financial results for the second quarter of its 2005 fiscal year. For the quarter ended August 15, 2004, the Company reported revenues of $19,791,000, compared to revenues of $19,663,000 for the quarter ended August 17, 2003. Revenues for the twenty-four weeks ended August 15, 2004 were $38,134,000 compared to $39,491,000 for the comparable year earlier period.

The revenue increase in the quarter was primarily the result of a comparable restaurant revenue increase of 1.3% which was partially offset by $111,000 in revenues lost due to the closing of one restaurant. The increase in comparable restaurant revenues was primarily the result of somewhat more effective product promotions by the franchisors during the current year quarter as compared to the ineffective prior promotions. The revenue decrease for the twenty-four weeks ended August 15, 2004 was primarily due to a 2.8% decrease in comparable restaurant revenues and $247,000 in revenues lost due to the closing of one restaurant. The decrease in comparable restaurant revenues was primarily the result of ineffective product promotions by the KFC franchisor during the first quarter.

Operating income for the fiscal 2005 second quarter increased to $1,099,000 from $1,010,000 in fiscal 2004 primarily as a result of increased comparable restaurant revenues, and decreased healthcare, workers' compensation and general and administrative expenses, which were partially offset by increased food costs. Operating income for the twenty-four weeks ended August 15, 2004 was $1,282,000, a decline compared to $2,293,000 in the year earlier period primarily as a result of decreased comparable restaurant revenues in the first quarter of fiscal 2005, increased food costs and asset impairment charges which were partially offset by decreased healthcare, workers' compensation and general and administrative expenses. Net income in the second quarter of fiscal 2005 was $99,000 or $.04 per share compared to a net loss of $(26,000) or $(.01) per share in the second quarter of fiscal 2004. For the twenty-four weeks ended August 15, 2004 the net loss was $(748,000) or $(.28) per share compared to net income of $154,000 or $.06 per share for the twenty-four weeks ended August 17, 2003.

The current year second quarter results contain $1,021,000 of interest expense and $777,000 of depreciation and amortization expense compared to $1,069,000 and $796,000, respectively, in the prior year period. For the twenty-four weeks ended August 15, 2004, the Company made $1,470,000 in principal payments on debt compared to $1,281,000 in the prior year and reported operating cash flow of $1,387,000 during the first twenty-four weeks of fiscal 2005 compared to $2,983,000 during the prior year. The decline in operating cash flow resulted principally from the net loss in the first quarter of fiscal 2005, reduced funding from supply agreements and changes in operating assets and liabilities related to the timing of payments.

As has been previously reported, the Company has not been in compliance, for the last four fiscal years, with certain fixed charge coverage ratios required by its loan agreements. Based upon financial results for the quarter ended August 15, 2004 the Company continues to be out of compliance with certain fixed charge coverage ratios but has obtained waivers of these violations from applicable lenders. If the Company does not comply with debt covenants in the future, and if waivers are not obtained or if the previously issued waivers are revoked as a result of the Company not satisfying certain conditions stated in the waivers, the lenders will have certain remedies available to them which could include calling of the debt or acceleration of payments. All payments on the Company's debt have been, and continue to be, current.

The Company has on-going procedures to project and monitor expected future operating results and cash flows, including annual projections through the winter season, when the Company typically consumes cash due to seasonal declines in revenues. Primarily due to very weak revenues and cash flows in the first quarter of fiscal 2005, the Company has implemented additional monitoring procedures for cash flows and cash balances expected through spring of 2005. If conditions warrant, management believes the Company could initiate additional, more rigorous, actions to generate or preserve cash in order to continue to service its debt and other obligations. However, management believes that increases in comparable restaurant revenues, primarily from more effective product promotions from the franchisors, will be necessary to restore positive results of operations and stronger operating cash flows.

This document contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The statements include those identified by such words as "may," "will," "expect" "anticipate," "believe," "plan" and other similar terminology. The "forward-looking statements" reflect the Company's current expectations and are based upon data available at the time of the statements. Actual results involve risks and uncertainties, including both those specific to the Company as well as general economic and business risks.

Morgan's Foods, Inc. operates a total of 102 restaurants in six states, being comprised of 76 KFC restaurants, 7 Taco Bell restaurants, 14 KFC/Taco Bell "2n1" restaurants, 3 Taco Bell/Pizza Hut Express "2n1's", 1 KFC/Pizza Hut Express "2n1" and 1 KFC/A&W "2n1".

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Table Attached.

MORGAN'S FOODS, INC.
SELECTED FINANCIAL INFORMATION

	Quarter Ended		Twenty-Four Weeks Ended	
	August 15, 2004	August 17, 2003	August 15, 2004	August 17, 2003
Revenues	$19,791,000	$19,663,000	$38,134,000	$39,491,000
Cost of sales:				
Food, paper and beverage	6,303,000	5,812,000	11,875,000	11,881,000
Labor and benefits	5,359,000	5,623,000	10,839,000	10,981,000
Restaurant operating expenses	5,109,000	5,001,000	9,891,000	10,001,000
Depreciation and amortization	777,000	796,000	1,560,000	1,599,000
General and administrative expenses	1,122,000	1,384,000	2,395,000	2,689,000
Loss on restaurant assets	22,000	37,000	292,000	47,000
Operating income	1,099,000	1,010,000	1,282,000	2,293,000
Interest expense:				
Bank debt and notes payable	(1,010,000)	(1,057,000)	(2,046,000)	(2,166,000)
Capital leases	(11,000)	(12,000)	(22,000)	(23,000)
Other income and expense, net	22,000	33,000	39,000	54,000
Income (loss) before income taxes	100,000	(26,000)	(747,000)	158,000
Provision for income taxes	1,000	-	1,000	4,000
Net income (loss)	$ 99,000	$ (26,000)	$ (748,000)	$ 154,000
Basic and diluted net income (loss) per common share	$ .04	$ (.01)	$ (.28)	$ .06
Basic weighted average number of shares outstanding	2,718,441	2,718,441	2,718,441	2,718,441
Diluted weighted average number of shares outstanding	2,722,928	2,718,441	2,718,441	2,725,096

	August 15, 2004	February 29, 2004
ASSETS		
Current assets	$ 5,591,000	$ 5,792,000
Property and equipment, net	32,602,000	33,891,000
Other assets	12,863,000	12,989,000
Total assets	$51,056,000	$52,672,000
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities	$10,722,000	$ 9,791,000
Long-term debt	41,839,000	43,370,000
Long-term capital lease obligations	377,000	379,000
Other long-term liabilities	1,582,000	1,848,000
Shareholders' deficiency	(3,464,000)	(2,716,000)
Total liabilities and shareholders' deficiency	$51,056,000	$52,672,000