

**FOR IMMEDIATE RELEASE**

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**MORGAN'S FOODS ANNOUNCES SECOND QUARTER FISCAL 2004 RESULTS**

Beachwood, Ohio (October 1, 2003) -- Morgan's Foods, Inc. (AMEX:MR) (www.morgansfoods.com) today announced financial results for the second quarter of its 2004 fiscal year. For the quarter ended August 17, 2003, the Company reported revenues of \$19,663,000, compared to revenues of \$20,348,000 for the quarter ended August 18, 2002. Revenues for the twenty-four weeks ended August 17, 2003 were \$39,491,000 compared to \$39,507,000 for the comparable year earlier period.

The revenue decrease in the quarter was primarily the result of a comparable restaurant revenue decrease of 3.7% which was mainly the result of ineffective product promotions by KFC Corp., our primary franchisor, which has recently replaced both its President and its advertising agency.

Operating income for the fiscal 2004 second quarter decreased to \$1,010,000 from \$1,239,000 in fiscal 2003. Operating income for the twenty-four weeks ended August 17, 2003 was \$2,293,000 compared to \$2,484,000 in the year earlier period. These decreases were partially the result of decreased comparable restaurant revenues in the quarter, however, the items having the most serious impacts on the Company's operating income were the dramatic increases in workers compensation, health and welfare and general insurance costs for both the quarter and twenty-four weeks ended August 17, 2003. The net loss in the second quarter of fiscal 2004 was \$(26,000) or \$(.01) per share compared to a net income of \$148,000 or \$.05 per share in the second quarter of fiscal 2003. For the twenty-four weeks ended August 17, 2003 net income was \$154,000 or \$.06 per share compared to net income of \$290,000 or \$.11 per share for the twenty-four weeks ended August 18, 2002.

The current year second quarter results contain \$1,069,000 of interest expense and \$796,000 of depreciation and amortization expense compared to \$1,128,000 and \$786,000, respectively, in the prior year period. For the twenty-four weeks ended August 17, 2003, the Company made \$1,281,000 in principal payments on debt compared to \$946,000 in the prior year and reported operating cash flow of \$2,983,000 during the first twenty-four weeks of fiscal 2004 compared to \$1,712,000 during the prior year.

Morgan's Foods, Inc. operates a total of 103 restaurants in six states, being comprised of 75 KFC restaurants, 7 Taco Bell restaurants, 16 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

	<u>Quarter Ended</u>		<u>Twenty-Four Weeks Ended</u>	
	<u>August 17, 2003</u>	<u>August 18, 2002</u>	<u>August 17, 2003</u>	<u>August 18, 2002</u>
Revenues	\$19,663,000	\$20,348,000	\$39,491,000	\$39,507,000
Cost of sales:				
Food, paper and beverage	5,812,000	6,353,000	11,881,000	12,187,000
Labor and benefits	5,623,000	5,388,000	10,981,000	10,621,000
Restaurant operating expenses	5,001,000	5,133,000	10,001,000	9,891,000
Depreciation and amortization	796,000	786,000	1,599,000	1,550,000
General and administrative expenses	1,384,000	1,391,000	2,689,000	2,706,000
Loss on restaurant assets	<u>37,000</u>	<u>58,000</u>	<u>47,000</u>	<u>68,000</u>
Operating income	1,010,000	1,239,000	2,293,000	2,484,000
Interest expense:				
Bank debt and notes payable	(1,057,000)	(1,114,000)	(2,166,000)	(2,255,000)
Capital leases	(12,000)	(14,000)	(23,000)	(28,000)
Other income and expense, net	<u>33,000</u>	<u>40,000</u>	<u>54,000</u>	<u>94,000</u>
Income (loss) before income taxes	(26,000)	151,000	158,000	295,000
Provision for income taxes	<u>-</u>	<u>3,000</u>	<u>4,000</u>	<u>5,000</u>
Net income (loss)	<u>\$ (26,000)</u>	<u>\$ 148,000</u>	<u>\$ 154,000</u>	<u>\$ 290,000</u>
Basic and diluted net income (loss) per common share	<u>\$ (.01)</u>	<u>\$ .05</u>	<u>\$ .06</u>	<u>\$ .11</u>
Basic weighted average number of shares outstanding	2,718,441	2,721,206	2,718,441	2,719,833
Diluted weighted average number of shares outstanding	2,718,441	2,755,562	2,725,096	2,741,234

	<u>August 17, 2003</u>	<u>March 3, 2002</u>
ASSETS		
Current assets	\$ 6,922,000	\$ 6,255,000
Property and equipment, net	35,675,000	36,452,000
Other assets	<u>13,238,000</u>	<u>13,318,000</u>
Total assets	<u>\$55,835,000</u>	<u>\$56,025,000</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities	\$10,270,000	\$ 9,366,000
Long-term debt	44,759,000	46,113,000
Long-term capital lease obligations	402,000	436,000
Other long-term liabilities	1,672,000	1,532,000
Shareholders' deficiency	<u>(1,268,000)</u>	<u>(1,422,000)</u>
Total liabilities and shareholders' deficiency	<u>\$55,835,000</u>	<u>\$56,025,000</u>