

FOR IMMEDIATE RELEASE

Contact: Kenneth L. Hignett
Senior Vice President, Chief Financial Officer & Secretary
(216) 360-7500

MORGAN'S FOODS ANNOUNCES SECOND QUARTER FISCAL 2003 RESULTS

Beachwood, Ohio (October 2, 2002) -- Morgan's Foods, Inc. (AMEX:MR) (www.morgansfoods.com) today announced financial results for the second quarter of its 2003 fiscal year. For the quarter ended August 18, 2002, the Company reported revenues of \$20,348,000, compared to revenues of \$19,939,000 for the quarter ended August 12, 2001. Revenues for the twenty-four weeks ended August 18, 2002 were \$39,507,000 compared to \$38,546,000 for the comparable year earlier period.

The revenue increases in the quarter and twenty-four weeks were primarily the result of comparable restaurant revenue increases of 1.9% in the quarter and 2.3% in the twenty-four weeks. These increases were the result of effective product promotions by our franchisors during the periods which increased the Company's sales but unfortunately have had an adverse effect on food costs.

Operating income for the fiscal 2003 second quarter decreased to \$1,239,000 from \$1,591,000 in fiscal 2002. Operating income for the twenty-four weeks ended August 18, 2002 was \$2,484,000 compared to \$2,693,000 in the year earlier period. These decreases were primarily the result of higher food cost product promotions, increased workers compensation and medical expenses, increased legal and professional expenses and increased labor rates which were partially offset by higher revenue in the current year and the implementation of FASB 142 whereby goodwill is no longer amortized. Net income in the second quarter of fiscal 2003 was \$148,000 or \$.05 per share compared to a net income of \$435,000 or \$.15 per share in the second quarter of fiscal 2002. For the twenty-four weeks ended August 18, 2002 net income was \$290,000 or .11 per share compared to net income of \$370,000 or \$.13 per share for the twenty-four weeks ended August 12, 2001.

The current year second quarter results contain \$1,128,000 of interest expense and \$786,000 of depreciation and amortization expense compared to \$1,175,000 and \$887,000 respectively in the prior year period. For the twenty-four weeks ended August 18, 2002, the Company made \$946,000 in principal payments on debt compared to \$1,016,000 in the prior year and reported operating cash flow of \$1,712,000 during the first twenty-four weeks of fiscal 2003 compared to \$2,201,000 during the prior year.

Morgan's Foods, Inc. operates 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" in six states.

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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 18, 2002</u>	<u>August 12, 2001</u>	<u>August 18, 2002</u>	<u>August 12, 2001</u>
Revenues	\$20,348,000	\$19,939,000	\$39,507,000	\$38,546,000
Cost of sales:				
Food, paper and beverage	6,353,000	6,064,000	12,187,000	11,848,000
Labor and benefits	5,388,000	5,135,000	10,621,000	10,055,000
Restaurant operating expenses	5,133,000	5,124,000	9,891,000	9,838,000
Depreciation and amortization	786,000	887,000	1,550,000	1,774,000
General and administrative expenses	1,391,000	1,113,000	2,706,000	2,307,000
Loss on restaurant assets	<u>58,000</u>	<u>25,000</u>	<u>68,000</u>	<u>31,000</u>
Operating income	1,239,000	1,591,000	2,484,000	2,693,000
Interest expense:				
Bank debt and notes payable	(1,114,000)	(1,158,000)	(2,255,000)	(2,369,000)
Capital leases	(14,000)	(17,000)	(28,000)	(33,000)
Other income and expense, net	<u>40,000</u>	<u>27,000</u>	<u>94,000</u>	<u>80,000</u>
Income before income taxes	151,000	443,000	295,000	371,000
Provision for income taxes	<u>3,000</u>	<u>8,000</u>	<u>5,000</u>	<u>1,000</u>
Net income	<u>\$ 148,000</u>	<u>\$ 435,000</u>	<u>\$ 290,000</u>	<u>\$ 370,000</u>
Basic and diluted net income per common share	<u>\$.05</u>	<u>\$.15</u>	<u>\$.11</u>	<u>\$.13</u>
Basic weighted average number of shares outstanding	2,721,206	2,941,317	2,719,833	2,953,466
Diluted weighted average number of shares outstanding	2,755,562	2,942,024	2,741,234	2,954,481

	<u>August 18, 2002</u>	<u>March 3, 2002</u>
ASSETS		
Current assets	\$ 7,732,000	\$ 8,494,000
Property and equipment, net	37,951,000	38,148,000
Other assets	<u>13,487,000</u>	<u>13,611,000</u>
Total assets	<u>\$59,170,000</u>	<u>\$60,253,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities	\$ 9,408,000	\$ 9,806,000
Long-term debt	47,458,000	48,563,000
Long-term capital lease obligations	490,000	544,000
Other long-term liabilities	1,754,000	1,537,000
Shareholders' equity (deficiency)	<u>60,000</u>	<u>(197,000)</u>
Total liabilities and shareholders' equity (deficiency)	<u>\$59,170,000</u>	<u>\$60,253,000</u>