

FOR IMMEDIATE RELEASE

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

MORGAN'S FOODS ANNOUNCES THIRD QUARTER FISCAL 2002 RESULTS

Beachwood, Ohio (December 20, 2001) -- Morgan's Foods, Inc. (AMEX:MR) (www.morgansfoods.com) today announced financial results for the third quarter of its 2002 fiscal year. For the quarter ended November 4, 2001, the Company reported revenues of \$20,418,000, compared to revenues of \$18,719,000 for the quarter ended November 5, 2000. Revenues for the thirty-six weeks ended November 4, 2001 were \$58,964,000 compared to \$55,567,000 for the comparable year earlier period.

The revenue increase in the quarter was primarily the result of a 10.8% increase in comparable restaurant revenues, which was partially offset by \$232,000 in lost sales due to restaurants being permanently or temporarily closed. The revenue increase for the thirty-six weeks was mainly attributable to a comparable restaurant revenue increase of 7.8% which was partially offset by lost sales of \$754,000 due to restaurants being permanently or temporarily closed. The increase in comparable restaurant revenues was primarily the result of effective product promotions by the franchisors in the quarter and thirty-six weeks.

Operating income for the fiscal 2002 third quarter increased to \$1,709,000 from \$471,000 in fiscal 2001, primarily as a result of higher average restaurant volumes, improved operating efficiencies and the receipt of \$259,000 as a result of a settlement negotiated by FRANMAC, the Taco Bell franchise association, with certain system food suppliers. Operating income for the thirty-six weeks ended November 4, 2001 was \$4,402,000 compared to \$2,425,000 in the year earlier period primarily for the reasons discussed above. Income from continuing operations in the third quarter of fiscal 2002 was \$552,000 or \$.20 per share compared to a loss of (\$675,000) or (\$.23) per share in the third quarter of fiscal 2001. Income from continuing operations for the thirty-six weeks ended November 4, 2001 was \$922,000 or \$.32 compared to a loss of (\$1,012,000) or (\$.35) per share for the thirty-six weeks ended November 5, 2000. Net income for the third quarter of fiscal 2002 was \$552,000 or \$.20 per share compared to a loss of (\$538,000) or (\$.18) per share for the fiscal 2001 third quarter and net income of \$922,000 or \$.32 per share for the thirty-six weeks ended November 4, 2001 compared to a loss of (\$875,000) or (\$.30) per share for the thirty-six weeks ended November 5, 2000.

Morgan's Foods, Inc. operates 76 KFC restaurants, 7 Taco Bell restaurants, 17 KFC/Taco Bell "2n1" restaurants and 3 Taco Bell/Pizza Hut Express "2n1" restaurants in six states.

###

Table Attached.

MORGAN'S FOODS, INC.
SELECTED FINANCIAL INFORMATION

	Quarter Ended		Thirty-Six Weeks Ended	
	November 4, 2001	November 5, 2000	November 4, 2001	November 5, 2000
Revenues	\$20,418,000	\$18,719,000	\$58,964,000	\$55,567,000
Cost of sales:				
Food, paper and beverage	6,134,000	6,109,000	17,982,000	17,706,000
Labor and benefits	5,107,000	5,001,000	15,162,000	14,835,000
Restaurant operating expenses	5,284,000	4,753,000	15,122,000	13,705,000
Depreciation and amortization	893,000	903,000	2,667,000	2,624,000
General and administrative expenses	1,210,000	1,277,000	3,517,000	3,851,000
Loss on restaurant assets	<u>81,000</u>	<u>205,000</u>	<u>112,000</u>	<u>421,000</u>
Operating income	1,709,000	471,000	4,402,000	2,425,000
Interest expense:				
Bank debt and notes payable	(1,157,000)	(1,176,000)	(3,526,000)	(3,488,000)
Capital leases	(16,000)	(19,000)	(49,000)	(57,000)
Other income and expense, net	<u>25,000</u>	<u>52,000</u>	<u>105,000</u>	<u>118,000</u>
Income (loss) from continuing operations before income taxes	561,000	(672,000)	932,000	(1,002,000)
Provision for income taxes	<u>9,000</u>	<u>3,000</u>	<u>10,000</u>	<u>10,000</u>
Income (loss) from continuing operations	552,000	(675,000)	922,000	(1,012,000)
Gain from discontinued operations	<u>-</u>	<u>137,000</u>	<u>-</u>	<u>137,000</u>
Net income (loss)	<u>\$ 552,000</u>	<u>\$ (538,000)</u>	<u>\$ 922,000</u>	<u>\$ (875,000)</u>
Basic income (loss) per common share:				
Continuing operations	\$.20	\$ (.23)	\$.32	\$ (.35)
Discontinued operations	<u>-</u>	<u>.05</u>	<u>-</u>	<u>.05</u>
Net income (loss) per share	<u>\$.20</u>	<u>\$ (.18)</u>	<u>\$.32</u>	<u>\$ (.30)</u>
Diluted income (loss) per common share:				
Continuing operations	\$.20	\$ (.23)	\$.32	\$ (.35)
Discontinued operations	<u>-</u>	<u>.05</u>	<u>-</u>	<u>.05</u>
Net income (loss) per share	<u>\$.20</u>	<u>\$ (.18)</u>	<u>\$.32</u>	<u>\$ (.30)</u>
Basic weighted average number of shares outstanding	2,795,524	2,937,572	2,882,442	2,928,441
Diluted weighted average number of shares outstanding	2,797,635	2,937,572	2,883,776	2,928,441

	November 4, 2001	February 25, 2001
ASSETS		
Current assets	\$ 7,814,000	\$ 6,628,000
Property and equipment, net	38,877,000	40,554,000
Other assets	<u>13,834,000</u>	<u>14,372,000</u>
Total assets	<u>\$60,525,000</u>	<u>\$61,554,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities	\$ 9,146,000	\$ 9,082,000
Long-term debt	49,387,000	51,046,000
Long-term capital lease obligations	571,000	651,000
Other long-term liabilities	1,203,000	1,353,000
Shareholders' equity (deficiency)	<u>218,000</u>	<u>(578,000)</u>
Total liabilities and shareholders' equity (deficiency)	<u>\$60,525,000</u>	<u>\$61,554,000</u>

