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**MORGAN'S FOODS ANNOUNCES FIRST QUARTER  
FISCAL 2003 RESULTS**

Beachwood, Ohio (July 10, 2002) -- Morgan's Foods, Inc. (AMEX:MR) ([www.morgansfoods.com](http://www.morgansfoods.com)) today announced financial results for the first quarter of its 2003 fiscal year. For the quarter ended May 26, 2002, the Company reported revenues of \$19,159,000, compared to revenues of \$18,607,000 for the quarter ended May 20, 2001.

The revenue increase in the quarter was primarily the result of a 2.9% increase in comparable restaurant revenues which resulted from effective product promotions by the franchisors during the quarter.

Operating income for the fiscal 2003 first quarter increased to \$1,245,000 from \$1,102,000 in fiscal 2002, primarily due to higher average restaurant volumes and the implementation of SFAS No. 142 whereby goodwill is no longer amortized. These improvements were partially offset by increased worker's compensation and salary and bonus expenses. Net income for the first quarter of fiscal 2003 was \$142,000 or \$.05 per basic share compared to a net loss of \$65,000 or \$.02 per basic share for the first quarter of fiscal 2002.

The current year results contain \$1,141,000 of interest expense and \$764,000 of depreciation and amortization expense compared to \$1,211,000 and \$887,000 respectively in the prior year period. The Company made \$370,000 in principal payments on debt during the current year quarter compared to \$502,000 in the prior year and reported operating cash flow of \$580,000 during the first quarter of fiscal 2003 compared to \$983,000 during the first quarter of fiscal 2002.

Morgan's Foods, Inc. operates 76 KFC restaurants, 7 Taco Bell restaurants, 16 KFC/Taco Bell "2n1's" and 3 Taco Bell/Pizza Hut Express "2n1's" and 1 KFC/Pizza Hut Express "2n1" in six states.

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Table Attached.

MORGAN'S FOODS, INC.

SELECTED FINANCIAL INFORMATION

	<u>First Quarter Ended (unaudited)</u>	
	<u>May 26, 2002</u>	<u>May 20, 2001</u>
Revenues	\$19,159,000	\$18,607,000
Cost of sales:		
Food, paper and beverage	5,834,000	5,784,000
Labor and benefits	5,233,000	4,920,000
Restaurant operating expenses	4,758,000	4,714,000
Depreciation and amortization	764,000	887,000
G&A expenses	1,315,000	1,194,000
Loss on restaurant assets	<u>10,000</u>	<u>6,000</u>
Operating income	1,245,000	1,102,000
Interest Expense:		
Bank debt and notes payable	(1,141,000)	(1,211,000)
Capital leases	(14,000)	(16,000)
Other income and expense, net	<u>54,000</u>	<u>53,000</u>
Income (loss) before income taxes	144,000	(72,000)
Provision (credit) for income taxes	<u>2,000</u>	<u>(7,000)</u>
Net income (loss)	<u>\$ 142,000</u>	<u>\$ (65,000)</u>
Basic and diluted net income (loss) per common share	<u>\$ .05</u>	<u>\$ (.02)</u>
Basic weighted average number of shares outstanding	2,726,468	2,944,026
Diluted weighted average number of shares outstanding	2,734,600	2,944,026

	<u>May 26, 2002</u>	<u>March 3, 2002</u>
<b>ASSETS</b>		
Current assets	\$ 8,603,000	\$ 8,494,000
Property and equipment, net	37,490,000	38,148,000
Other assets	<u>13,543,000</u>	<u>13,611,000</u>
Total assets	<u>\$59,636,000</u>	<u>\$60,253,000</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current liabilities	\$ 9,531,000	\$ 9,806,000
Long-term debt	48,170,000	48,563,000
Long-term capital lease obligations	517,000	544,000
Other long-term liabilities	1,506,000	1,537,000
Shareholders' deficit	<u>(88,000)</u>	<u>(197,000)</u>
Total liabilities and shareholders' deficit	<u>\$59,636,000</u>	<u>\$60,253,000</u>