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

Beachwood, Ohio (July 9, 2003) -- Morgan's Foods, Inc. (AMEX:MR) (www.morgansfoods.com) today announced financial results for the first quarter of its 2004 fiscal year. For the quarter ended May 25, 2003, the Company reported revenues of \$19,828,000, compared to revenues of \$19,159,000 for the quarter ended May 26, 2002.

The revenue increase in the quarter was primarily the result of a 3.2% increase in comparable restaurant revenues which resulted from effective product promotions by the franchisors and increased local advertising during the quarter.

Operating income for the fiscal 2004 first quarter increased to \$1,283,000 from \$1,245,000 in fiscal 2003, primarily due to higher average restaurant volumes being offset by higher cost product promotions, increased health care and general insurance costs and increased depreciation expense. Net income for the first quarter of fiscal 2004 was \$180,000 or \$.07 per share compared to a net income of \$142,000 or \$.05 per share for the first quarter of fiscal 2003.

The current year results contain \$1,120,000 of interest expense and \$803,000 of depreciation and amortization expense compared to \$1,155,000 and \$764,000 respectively in the prior year period. The Company made \$637,000 in principal payments on debt during the current year quarter and reported operating cash flow of \$1,222,000.

Morgan's Foods, Inc. operates 75 KFC restaurants, 7 Taco Bell restaurants, 16 KFC/Taco Bell "2n1's", 3 Taco Bell/Pizza Hut Express "2n1" restaurants, 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>First Quarter Ended (unaudited)</u>	
	<u>May 25, 2003</u>	<u>May 26, 2002</u>
Revenues	\$19,828,000	\$19,159,000
Cost of sales:		
Food, paper and beverage	6,069,000	5,834,000
Labor and benefits	5,358,000	5,233,000
Restaurant operating expenses	5,000,000	4,758,000
Depreciation and amortization	803,000	764,000
G&A expenses	1,305,000	1,315,000
Loss on restaurant assets	<u>10,000</u>	<u>10,000</u>
Operating income	1,283,000	1,245,000
Interest Expense:		
Bank debt and notes payable	(1,109,000)	(1,141,000)
Capital leases	(11,000)	(14,000)
Other income and expense, net	<u>21,000</u>	<u>54,000</u>
Income before income taxes	184,000	144,000
Provision for income taxes	<u>4,000</u>	<u>2,000</u>
Net income	<u>\$ 180,000</u>	<u>\$ 142,000</u>
Basic and diluted net income per common share	<u>\$.07</u>	<u>\$.05</u>
Basic weighted average number of shares outstanding	2,718,441	2,726,468
Diluted weighted average number of shares outstanding	2,725,293	2,734,600

	<u>May 25, 2003</u>	<u>March 2, 2003</u>
ASSETS		
Current assets	\$ 6,705,000	\$ 6,255,000
Property and equipment, net	36,047,000	36,452,000
Other assets	<u>13,256,000</u>	<u>13,318,000</u>
Total assets	<u>\$56,008,000</u>	<u>\$56,025,000</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities	\$ 9,850,000	\$ 9,366,000
Long-term debt	45,428,000	46,113,000
Long-term capital lease obligations	419,000	436,000
Other long-term liabilities	1,553,000	1,532,000
Shareholders' deficit	<u>(1,242,000)</u>	<u>(1,422,000)</u>
Total liabilities and shareholders' deficiency	<u>\$56,008,000</u>	<u>\$56,025,000</u>