

FOR IMMEDIATE RELEASE

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

MORGAN'S FOODS ANNOUNCES SECOND QUARTER FISCAL 2002 RESULTS

Beachwood, Ohio (September 26, 2001) -- Morgan's Foods, Inc. (AMEX:MR) (www.morgansfoods.com) today announced financial results for the second quarter of its 2002 fiscal year. For the quarter ended August 12, 2001, the Company reported revenues of \$19,939,000, compared to revenues of \$19,282,000 for the quarter ended August 13, 2000. Revenues for the twenty-four weeks ended August 12, 2001 were \$38,546,000 compared to \$36,848,000 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 5.2% in the quarter and 5.7% in the twenty-four weeks. The increase in comparable restaurant revenues was driven largely by effective product promotions by the franchisor in the current year periods.

Operating income for the fiscal 2002 second quarter increased to \$1,591,000 from \$1,247,000 in fiscal 2001, primarily due to higher average restaurant volumes, the closing of several unprofitable restaurants since the second quarter of fiscal 2001 and improved operating efficiencies. Operating income for the twenty-four weeks ended August 12, 2001 was \$2,693,000 compared to \$1,954,000 in the year earlier period for the same reasons. Net income in the second quarter of fiscal 2002 was \$435,000 or \$.15 per share compared to a net income of \$105,000 or \$.04 per share in the second quarter of fiscal 2001 and a net income of \$370,000 or .13 per share for the twenty-four weeks ended August 12, 2001 compared to a net loss of (\$337,000) or (\$.12) per share for the twenty-four weeks ended August 13, 2000.

The current year second quarter results contain \$1,175,000 of interest expense and \$887,000 of depreciation and amortization expense compared to \$1,156,000 and \$865,000 respectively in the prior year period. For the twenty-four weeks ended August 12, 2001, the Company made \$1,016,000 in principal payments on debt compared to \$900,000 in the prior year and reported operating cash flow of \$2,206,000 during the first twenty-four weeks of fiscal 2002 compared to \$2,162,000 during the prior year.

Morgan's Foods, Inc. operates 76 KFC restaurants, 8 Taco Bell restaurants, 17 KFC/Taco Bell "2n1" restaurants and 2 Taco Bell/Pizza Hut Express "2n1's" in six states.

###

Table Attached.

MORGAN'S FOODS, INC.
SELECTED FINANCIAL INFORMATION

	<u>Quarter Ended</u>		<u>Twenty-Four Weeks Ended</u>	
	<u>August 12, 2001</u>	<u>August 13, 2000</u>	<u>August 12, 2001</u>	<u>August 13, 2000</u>
Revenues	\$19,939,000	\$19,282,000	\$38,546,000	\$36,848,000
Cost of sales:				
Food, paper and beverage	6,064,000	6,194,000	11,848,000	11,597,000
Labor and benefits	5,135,000	4,951,000	10,055,000	9,834,000
Restaurant operating expenses	5,124,000	4,512,000	9,838,000	8,952,000
Depreciation and amortization	887,000	865,000	1,774,000	1,721,000
General and administrative expenses	1,113,000	1,316,000	2,307,000	2,574,000
Loss on restaurant assets	<u>25,000</u>	<u>197,000</u>	<u>31,000</u>	<u>216,000</u>
Operating income	1,591,000	1,247,000	2,693,000	1,954,000
Interest expense:				
Bank debt and notes payable	(1,158,000)	(1,137,000)	(2,369,000)	(2,312,000)
Capital leases	(17,000)	(19,000)	(33,000)	(38,000)
Other income and expense, net	<u>27,000</u>	<u>18,000</u>	<u>80,000</u>	<u>66,000</u>
Income (loss) before income taxes	443,000	109,000	371,000	(330,000)
Provision for income taxes	<u>8,000</u>	<u>4,000</u>	<u>1,000</u>	<u>7,000</u>
Net income (loss)	<u>\$ 435,000</u>	<u>\$ 105,000</u>	<u>\$ 370,000</u>	<u>\$ (337,000)</u>
Basic net income				
(loss) per common share	<u>\$.15</u>	<u>\$.04</u>	<u>\$.13</u>	<u>\$ (.12)</u>
Diluted net income (loss)				
per common share	<u>\$.15</u>	<u>\$.04</u>	<u>\$.13</u>	<u>\$ (.12)</u>
Basic weighted average number of shares outstanding	2,941,317	2,925,024	2,953,466	2,923,876
Diluted weighted average number of shares outstanding	2,942,024	2,925,024	2,954,481	2,923,876
		<u>August 12, 2001</u>	<u>February 25, 2001</u>	
ASSETS				
Current assets		\$ 7,528,000	\$ 6,628,000	
Property and equipment, net		39,315,000	40,554,000	
Other assets		<u>14,000,000</u>	<u>14,372,000</u>	
Total assets		<u>\$60,843,000</u>	<u>\$61,554,000</u>	
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
Current liabilities		\$ 9,216,000	\$ 9,082,000	
Long-term debt		49,924,000	51,046,000	
Long-term capital lease obligations		595,000	651,000	
Other long-term liabilities		1,335,000	1,353,000	
Shareholders' deficiency		<u>(227,000)</u>	<u>(578,000)</u>	
Total liabilities and shareholders' deficiency		<u>\$60,843,000</u>	<u>\$61,554,000</u>	