

FOR IMMEDIATE RELEASE

Contact: Kenneth L. Hignett
Senior Vice President, Chief Financial Officer & Secretary
(216) 359-9000

MORGAN'S FOODS ANNOUNCES FIRST QUARTER FISCAL 2013 RESULTS

Cleveland, Ohio (July 5, 2012) -- Morgan's Foods, Inc. (OTC:MRFD) (www.morgansfoods.com) announces first quarter fiscal 2013 results.

Revenues increased by \$752,000 in the quarter ended May 20, 2012 as compared to the prior year quarter primarily the result of a 9.6%, or \$1,765,000, comparable sales increase, partially offset by the permanent closing of 12 restaurant locations during the prior year period, and one permanent closing in the current year period, as well as the temporary closing during the current year period of two restaurants for image enhancements.

The Company recorded a net profit of \$39,000 or \$0.01 per share (\$0.01 diluted) for the quarter ended May 20, 2012. This compared to a net loss of \$(217,000), or \$(0.07) per share (\$(0.07) diluted) for the quarter ended May 22, 2011. Our results for the fiscal 2013 quarter included charges of \$370,000 for loss on restaurant assets, compared to \$211,000 in the prior year quarter. The loss on restaurant assets relates to the impairment of the carrying value of certain properties carried as assets held for sale and additions to the reserve for disposal of certain other closed restaurant properties. The Company's operating margins in the fiscal 2013 quarter showed an improvement of approximately 1.5 percentage points of sales compared to the prior year quarter in food and labor costs. Capital expenditures in the first quarter of fiscal 2013 were \$1,115,000 compared to \$87,000 in the comparable year earlier quarter as the Company completed the remodeling of two restaurants and the installation of four of the KFC "operations platforms" which include state of the art point of sale systems and product holding cabinets during the current year quarter. The Company is in compliance with its remodel agreements with its franchisors and its financial covenants with its financing sources. Subsequent to the end of the first quarter, the Company completed the remodeling of an additional restaurant and the installation of an additional KFC operations platform.

Forward-Looking Statements

Statements in this release that are not historical in nature are forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied in this release. The forward-looking statements reflect the Company's current expectations based upon data available at the time of the statement. Such risks and uncertainties include both Company risks and uncertainties and general economic and industry risks and uncertainties. Such risks and uncertainties include, but are not limited to, the Company's debt covenant compliance, actions that lenders may take with respect to any debt covenant violations, the Company's ability to obtain waivers of any debt covenant violations or to pay all of its current and long-term obligations and those risks described in Part I Item 1A. ("Risk Factors") of the Company's Form 10-K for the fiscal year ended February 26, 2012. Economic and industry risks and uncertainties include, but are not limited to, franchisor promotions, business and economic conditions, legislation and

governmental regulation, competition, success of operating initiatives and advertising and promotional efforts, volatility of commodity costs and increases in minimum wage and other operating costs, availability and cost of land and construction, consumer preferences, spending patterns and demographic trends. The Company does not undertake any obligation to publicly update or revise any forward-looking statements to reflect future events, information or circumstances that arise after the date of this release.

Morgan's Foods, Inc. operates 57 KFC restaurants, 5 Taco Bell restaurants, 9 KFC/Taco Bell "2n1's", 3 Taco Bell/Pizza Hut Express "2n1's" and 1 KFC/A&W "2n1".

###

Table attached.

MORGAN'S FOODS, INC.
SELECTED FINANCIAL INFORMATION (unaudited)

	Quarter Ended	
	May 20, 2012	May 22, 2011
Revenues	\$ 20,314,000	\$ 19,562,000
Cost of sales:		
Food, paper and beverage	6,597,000	6,497,000
Labor and benefits	5,751,000	5,685,000
Restaurant operating expenses	4,975,000	4,868,000
Depreciation and amortization	604,000	598,000
G&A expenses	1,194,000	1,249,000
Loss (gain) on restaurant assets	370,000	211,000
Early extinguishment of debt	-	33,000
Operating income	823,000	421,000
Interest Expense:		
Bank debt and notes payable	230,000	469,000
Capital leases	502,000	23,000
Other income and expense, net	(19,000)	(28,000)
Income (loss) before income taxes	110,000	(43,000)
Income tax provision	71,000	174,000
Net Income (loss)	\$ 39,000	\$ (217,000)
Basic net income (loss) per common share	\$ 0.01	\$ (0.07)
Diluted net income (loss) per common share	\$ 0.01	\$ (0.07)
Basic average number of shares outstanding	2,934,995	2,934,995
Diluted average number of shares outstanding	2,934,995	2,934,995
	May 20, 2012	February 26, 2012
ASSETS		
Current assets	\$ 8,993,000	\$ 8,172,000
Property and equipment, net	34,301,000	33,848,000
Other assets	477,000	513,000
Intangibles	9,738,000	9,893,000
Total assets	\$ 53,509,000	\$ 52,426,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	\$ 9,873,000	\$ 8,604,000
Long-term debt	8,001,000	8,220,000
Long-term capital lease obligations	22,453,000	22,505,000
Other long-term liabilities	11,270,000	11,280,000
Deferred tax liabilities	2,918,000	2,862,000
Total shareholder's equity	(1,006,000)	(1,045,000)
Total liabilities and shareholders' equity	\$ 53,509,000	\$ 52,426,000