

FOR IMMEDIATE RELEASE

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**MORGAN'S FOODS ANNOUNCES SECOND QUARTER
FISCAL 2013 RESULTS**

Cleveland, Ohio (September 26, 2012) -- Morgan's Foods, Inc. (OTC:MRFD) (www.morgansfoods.com) announces second quarter fiscal 2013 results.

Revenues increased \$1,129,000 in the fiscal quarter ended August 12, 2012 as compared to the prior year quarter as the result of a 6.5%, or \$1,253,000, increase in comparable restaurant revenue as a result of effective promotions and marketing strategies employed by the Company's primary franchisors. The permanent closing of one restaurant caused a reduction in revenues of \$210,000 and the removal of a Pizza Hut concept and an A & W concept from two restaurants caused a reduction in revenue of \$23,000.

Revenues increased \$1,881,000 for the twenty-four weeks ended August 12, 2012 as compared to the prior year period as the result of an 8.0%, or \$3,019,000, increase in comparable restaurant revenue as a result of effective product introductions and promotions by the Company's franchisors, partially offset by the permanent closing of 12 restaurant locations during the prior year period, and one permanent closing in the current year period resulted in a revenue decrease of \$1,133,000, and the removal of a Pizza Hut concept and an A & W concept from two restaurants caused a reduction in revenue of \$31,000.

The Company recorded a net profit of \$206,000, or \$0.07 per share (\$0.07 diluted), for the quarter ended August 12, 2012 and \$245,000, or \$0.08 per share (\$0.08 diluted), for the 2013 fiscal year to date. This compared to a net loss of \$(257,000), or \$(0.09) per share (\$(0.09) diluted), for the quarter ended August 14, 2011 quarter and \$(474,000), or \$(0.16) per share (\$(0.16) diluted), for the 2012 fiscal year to date. Our results included a loss on restaurant assets of \$88,000 for the fiscal 2013 quarter and \$458,000 for the 2013 fiscal year to date and \$148,000 for the prior year quarter and \$359,000 for the 2012 fiscal year to date. The loss on restaurant assets relates to the impairment of the carrying value of properties 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 second quarter and year to date showed an improvement of approximately 2.2 percentage points of sales compared to the prior year quarter and year to date in food, labor and operating expenses. Capital expenditures in the first twenty-four weeks of fiscal 2013 were \$2,108,000 compared to \$1,114,000 in the comparable year earlier period as the Company completed, during the current fiscal year, the remodeling of three restaurants and the installation of seven of the KFC "operations platforms", which include state of the art point of sale systems and product holding cabinets. 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 second 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, if necessary, 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 58 KFC restaurants, 5 Taco Bell restaurants, 9 KFC/Taco Bell "2n1's" and 3 Taco Bell/Pizza Hut Express "2n1's".

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Table attached.

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

	Quarter Ended		Twenty-four Weeks	
	August 12, 2012	August 14, 2011	August 12, 2012	August 14, 2011
Revenues	\$ 20,642,000	\$ 19,513,000	\$ 40,956,000	\$ 39,075,000
Cost of sales:				
Food, paper and beverage	6,706,000	6,604,000	13,303,000	13,101,000
Labor and benefits	5,763,000	5,543,000	11,514,000	11,228,000
Restaurant operating expenses	5,285,000	5,105,000	10,260,000	9,969,000
Depreciation and amortization	621,000	579,000	1,225,000	1,181,000
G&A expenses	1,190,000	1,224,000	2,384,000	2,473,000
Loss (gain) on restaurant assets	88,000	148,000	458,000	359,000
Early extinguishment of debt	-	-	-	33,000
Operating income	989,000	310,000	1,812,000	731,000
Interest Expense:				
Bank debt and notes payable	217,000	445,000	447,000	914,000
Capital leases	506,000	23,000	1,008,000	46,000
Other income and expense, net	(12,000)	32,000	(31,000)	4,000
Income (loss) before income taxes	278,000	(190,000)	388,000	(233,000)
Income tax provision	72,000	67,000	143,000	241,000
Net Income (loss)	\$ 206,000	\$ (257,000)	\$ 245,000	\$ (474,000)
Basic net income (loss) per common share	\$ 0.07	\$ (0.09)	\$ 0.08	\$ (0.16)
Diluted net income (loss) per common share	\$ 0.07	\$ (0.09)	\$ 0.08	\$ (0.16)
Basic average number of shares outstanding	2,934,995	2,934,995	2,934,995	2,934,995
Diluted average number of shares outstanding	2,940,194	2,934,995	2,937,595	2,934,995
<u>ASSETS</u>				
Current assets	\$ 7,815,000	\$ 8,172,000		
Property and equipment, net	34,695,000	33,848,000		
Other assets	457,000	513,000		
Intangibles	9,703,000	9,893,000		
Total assets	\$ 52,670,000	\$ 52,426,000		
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Current liabilities	\$ 9,067,000	\$ 8,604,000		
Long-term debt	7,782,000	8,220,000		
Long-term capital lease obligations	22,522,000	22,505,000		
Other long-term liabilities	11,125,000	11,280,000		
Deferred tax liabilities	2,974,000	2,862,000		
Total shareholder's equity	(800,000)	(1,045,000)		
Total liabilities and shareholders' equity	\$ 52,670,000	\$ 52,426,000		