

## **FOR IMMEDIATE RELEASE**

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### **MORGAN'S FOODS ANNOUNCES THIRD QUARTER FISCAL 2013 RESULTS**

Cleveland, Ohio (December 19, 2012) -- Morgan's Foods, Inc. (OTC:MRFD) ([www.morgansfoods.com](http://www.morgansfoods.com)) announces third quarter fiscal 2013 results.

The Company recorded comparable restaurant revenue increases of 5.8% in the fiscal quarter ended November 4, 2012 and 7.3% for the thirty-six weeks as compared to the prior year quarter and period. These increases were partially offset by certain temporary and permanent restaurant closings. As a result, the revenue increases compared to the prior year were \$782,000 for the quarter and \$2,663,000 for the thirty-six weeks ending November 4, 2012. The favorable revenue results are primarily the result of effective promotions and marketing strategies employed by the Company's primary franchisors.

The Company recorded a net profit of \$125,000, or \$0.04 per share (\$0.04 diluted), for the quarter ended November 4, 2012 and \$370,000, or \$0.13 per share (\$0.13 diluted), for the 2013 fiscal year to date. This compared to a net loss of \$(93,000), or \$(0.03) per share (\$(0.03) diluted), for the quarter ended November 6, 2011 quarter and \$(567,000), or \$(0.19) per share (\$(0.19) diluted), for the 2012 fiscal year to date. Our results included a loss on restaurant assets of \$106,000 for the fiscal 2013 quarter and \$564,000 for the 2013 fiscal year to date and \$267,000 for the prior year quarter and \$626,000 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 third quarter showed an improvement of approximately 1.2 percentage points of sales compared to the prior year quarter in food, labor and operating expenses. Capital expenditures in the first thirty-six weeks of fiscal 2013 were \$3,633,000 compared to \$1,439,000 in the comparable year earlier period as the Company completed, during the current fiscal year, the remodeling of five restaurants and the installation of 15 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, as amended, with its franchisors and its financial covenants with its financing sources.

#### **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		Thirty-six Weeks	
	November 4, 2012	November 6, 2011	November 4, 2012	November 6, 2011
Revenues	\$ 20,060,000	\$ 19,278,000	\$ 61,016,000	\$ 58,353,000
Cost of sales:				
Food, paper and beverage	6,466,000	6,285,000	19,769,000	19,386,000
Labor and benefits	5,747,000	5,540,000	17,261,000	16,768,000
Restaurant operating expenses	5,073,000	5,014,000	15,333,000	14,983,000
Depreciation and amortization	644,000	607,000	1,869,000	1,788,000
G&A expenses	1,140,000	1,259,000	3,524,000	3,732,000
Loss (gain) on restaurant assets	106,000	267,000	564,000	626,000
Early extinguishment of debt	-	-	-	33,000
Operating income	884,000	306,000	2,696,000	1,037,000
Interest Expense:				
Bank debt and notes payable	200,000	440,000	647,000	1,354,000
Capital leases	504,000	23,000	1,512,000	69,000
Other income and expense, net	(16,000)	(141,000)	(47,000)	(137,000)
Income (loss) before income taxes	196,000	(16,000)	584,000	(249,000)
Income tax provision	71,000	77,000	214,000	318,000
Net Income (loss)	\$ 125,000	\$ (93,000)	\$ 370,000	\$ (567,000)
Basic net income (loss) per common share	\$ 0.04	\$ (0.03)	\$ 0.13	\$ (0.19)
Diluted net income (loss) per common share	\$ 0.04	\$ (0.03)	\$ 0.13	\$ (0.19)
Basic average number of shares outstanding	2,934,995	2,934,995	2,934,995	2,934,995
Diluted average number of shares outstanding	2,984,694	2,934,995	2,953,294	2,934,995

	November 4, 2012	February 26, 2012
<b>ASSETS</b>		
Current assets	\$ 6,963,000	\$ 8,172,000
Property and equipment, net	35,491,000	33,848,000
Other assets	437,000	513,000
Intangibles	9,679,000	9,893,000
Total assets	\$ 52,570,000	\$ 52,426,000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities	\$ 9,163,000	\$ 8,604,000
Long-term debt	7,562,000	8,220,000
Long-term capital lease obligations	22,489,000	22,505,000
Other long-term liabilities	11,001,000	11,280,000
Deferred tax liabilities	3,030,000	2,862,000
Total shareholder's equity	(675,000)	(1,045,000)
Total liabilities and shareholders' equity	\$ 52,570,000	\$ 52,426,000