

**FOR IMMEDIATE RELEASE**

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**MORGAN'S FOODS ANNOUNCES FOURTH QUARTER  
AND FULL FISCAL 2004 RESULTS**

Beachwood, Ohio (June 1, 2004) -- Morgan's Foods, Inc. (AMEX:MR) ([www.morgansfoods.com](http://www.morgansfoods.com)) announced financial results for the fourth quarter and full 2004 fiscal year. Revenue was \$81,738,000 in fiscal 2004 a decrease of \$588,000 or 0.7% compared to revenue of \$82,326,000 in fiscal 2003. The decrease in restaurant revenues during fiscal 2004 was primarily the result of ineffective product promotions during the year by the Company's KFC franchisor, as well as severe winter weather conditions in the Company's market areas.

For the fourth quarter ended February 29, 2004, the Company reported revenues of \$22,865,000, a decrease of \$337,000 from \$23,202,000 for the quarter ended March 2, 2003. The decrease was due to a comparable restaurant decrease of 1.5% during the quarter. The decrease in comparable restaurant revenues was due to ineffective product promotions and the severe winter weather conditions.

Operating income for fiscal 2004 decreased to \$3,231,000 from \$3,535,000 in fiscal 2003 due to lower average restaurant volumes and increased benefit costs. The net loss for fiscal 2004 was (\$1,294,000) or (\$.48) per share compared to net loss of (\$1,192,000) or (\$.44) per share for fiscal 2003. The Company made principal payments on long-term debt of \$2,603,000 in fiscal 2004 compared to \$2,178,000 in fiscal 2003 and reported cash flow from operations of \$3,667,000 compared to \$1,829,000 during the prior year.

As of February 29, 2004, the Company was not in compliance with the consolidated fixed charge coverage ratio requirements on all of its debt and with the individual restaurant fixed charge coverage ratio requirements on many of its loans. The Company has obtained waivers of these violations from its lenders. The Company also continues to be out of compliance with certain continued listing requirements of the American Stock Exchange. During fiscal 2004 the Company provided to staff at the Exchange its quarterly financial results, projected results for fiscal 2004 and a plan for how the Company would regain compliance with the continued listing standards. On April 23, 2004, the Company provided updated information to the Exchange including projected fiscal 2004 results which did not meet the previously accepted operating plan. The Company cannot predict the Exchange's actions, but the failure to meet the previously accepted operating plan could result in the commencement of delisting proceedings. If the Company were delisted, or if its common shares were suspended from trading, the liquidity of its common shares would likely be adversely affected.

Morgan's Foods, Inc. operates 75 KFC restaurants, 7 Taco Bell restaurants, 15 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>Fourth Quarter Ended (unaudited)</u>		<u>Year Ended</u>	
	<u>February 29, 2004</u>	<u>March 2, 2003</u>	<u>February 29, 2004</u>	<u>March 2, 2003</u>
Revenues	\$22,865,000	\$23,202,000	\$81,738,000	\$82,326,000
Cost of sales:				
Food, paper and beverage	6,868,000	7,213,000	24,712,000	25,645,000
Labor and benefits	6,616,000	6,518,000	22,816,000	22,329,000
Restaurant operating expenses	6,254,000	6,072,000	21,320,000	21,018,000
Depreciation and amortization	1,110,000	1,138,000	3,518,000	3,499,000
G&A expenses	1,715,000	1,695,000	5,574,000	5,749,000
Loss on restaurant assets	<u>493,000</u>	<u>358,000</u>	<u>567,000</u>	<u>551,000</u>
Operating income (loss)	(191,000)	208,000	3,231,000	3,535,000
Interest Expense:				
Bank debt and notes payable	(1,365,000)	(1,411,000)	(4,578,000)	(4,802,000)
Capital leases	(15,000)	(20,000)	(49,000)	(62,000)
Other income and expense, net	<u>33,000</u>	<u>29,000</u>	<u>106,000</u>	<u>147,000</u>
Loss from continuing operations before income taxes	(1,538,000)	(1,194,000)	(1,290,000)	(1,182,000)
Provision for income taxes	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>10,000</u>
Net loss	<u><u>\$(1,538,000)</u></u>	<u><u>\$(1,198,000)</u></u>	<u><u>\$(1,294,000)</u></u>	<u><u>\$(1,192,000)</u></u>
Basic and diluted net loss per common share	\$ (.57)	\$ (.44)	\$ (.48)	\$ (.44)
Basic and diluted average number of shares outstanding	2,718,441	2,718,441	2,718,441	2,720,182

	<u>February 29, 2004</u>	<u>March 2, 2003</u>
ASSETS		
Current assets	\$ 5,792,000	\$ 6,255,000
Property and equipment, net	33,891,000	36,452,000
Other assets	<u>12,989,000</u>	<u>13,318,000</u>
Total assets	<u><u>\$52,672,000</u></u>	<u><u>\$56,025,000</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities	\$ 9,791,000	\$ 9,366,000
Long-term debt	43,370,000	46,113,000
Long-term capital lease obligations	379,000	436,000
Other long-term liabilities	1,848,000	1,532,000
Total shareholder's deficiency	<u>(2,716,000)</u>	<u>(1,422,000)</u>
Total liabilities and shareholders' deficiency	<u><u>\$52,672,000</u></u>	<u><u>\$56,025,000</u></u>