

FOR IMMEDIATE RELEASE

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**MORGAN'S FOODS ANNOUNCES THIRD QUARTER FISCAL 2001 RESULTS
AND SALE OF FORMER RESTAURANT LOCATION**

Beachwood, Ohio (December 21, 2000) -- Morgan's Foods, Inc. (AMEX:MR) (www.morgansfoods.com) today announced financial results for the third quarter of its 2001 fiscal year. For the quarter ended November 5, 2000, the Company reported revenues of \$18,719,000, compared to revenues of \$19,520,000 for the quarter ended November 7, 1999. Revenues for the thirty-six weeks ended November 5, 2000 were \$55,567,000 compared to \$40,817,000 for the comparable year earlier period.

The revenue decrease in the quarter was primarily the result of a 7.7% decrease in comparable restaurant revenues and \$245,000 in lost sales due to restaurants being permanently or temporarily closed. This decrease was offset by an increase of \$839,000 in revenues generated by newly built and expanded restaurants. The revenue increase for the thirty-six weeks was mainly attributable to the operation of 56 KFC's and Taco Bell's which were acquired, two new KFC's and two new KFC/Taco Bell "2n1's" which were built and the addition of a concept in four restaurants. This increase was partially offset by comparable restaurant revenue declines of 3.2% in the thirty-six weeks and lost sales of \$879,000 due to restaurants being permanently or temporarily closed. The decline in comparable restaurant revenues was primarily the result of ineffective product promotions by the franchisors in the quarter.

Operating income for the fiscal 2001 third quarter decreased to \$438,000 from \$1,430,000 in fiscal 2000, primarily due to lower average restaurant volumes, unfavorable food costs as a result of the Company's primary supplier entering Chapter 11 bankruptcy and increased general and administrative expenses as a result of \$90,000 in fees accrued to pay CNL Advisory Services to solicit indications of interest for the Company and increased health and welfare costs. The Company has reorganized its field management staff, implemented several automation projects and has put in place and is evaluating other changes to its administrative structure with the intention of reducing general and administrative expenses. Operating income for the thirty-six weeks ended November 5, 2000 was \$2,326,000 compared to \$3,007,000 in the year earlier period for similar reasons. Loss from continuing operations in the third quarter of fiscal 2001 was (\$675,000) or (\$.23) per share compared to income of \$413,000 or \$.14 per share in the third quarter of fiscal 2000. Loss from continuing operations for the thirty-six weeks ended November 5, 2000 was (\$1,012,000) or (.35) compared to \$1,087,000 or \$.37 per share for the thirty-six weeks ended November 7, 1999. Net income (loss) for the third quarter of fiscal 2001 was (\$538,000) or (\$.18) per share compared to \$413,000 or \$.14 per share for the fiscal 2000 third quarter and (\$875,000) or (\$.30) per share for the thirty-six weeks ended November 5, 2000 compared to \$458,000 or \$.16 per share for the thirty-six weeks ended November 7, 1999.

During the current fiscal year, the Company has made capital expenditures of \$3,287,000. These capital expenditures included the building of two new KFC/Taco Bell restaurants, the conversion of two Taco Bell's to KFC/Taco Bell "2n1's" and the conversion of two Taco Bell's to Taco Bell/Pizza Hut Express "2n1's".

The Company also sold its remaining former East Side Mario's restaurant location during the third quarter of fiscal year 2001. The gain on this transaction was \$137,000.

As previously discussed, the Company has engaged CNL Advisory Services to solicit indications of interest for the Company. This engagement is continuing and updates will be issued regarding any significant developments in the process.

Morgan's Foods, Inc. operates 77 KFC restaurants, 8 Taco Bell restaurants, 17 KFC/Taco Bell "2n1's" restaurants and 2 Taco Bell/Pizza Hut Express "2n1's" in six states.

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Table Attached.

MORGAN'S FOODS, INC.
SELECTED FINANCIAL INFORMATION

	<u>Quarter Ended</u>		<u>Thirty-Six Weeks Ended</u>	
	<u>November 5, 2000</u>	<u>November 7, 1999</u>	<u>November 5, 2000</u>	<u>November 7, 1999</u>
Revenues	\$18,719,000	\$19,520,000	\$55,567,000	\$40,817,000
Cost of sales:				
Food, paper and beverage	6,109,000	6,153,000	17,706,000	12,691,000
Labor and benefits	5,001,000	5,229,000	14,835,000	10,708,000
Restaurant operating expenses	4,753,000	4,755,000	13,705,000	9,894,000
Depreciation and amortization	936,000	820,000	2,723,000	1,638,000
General and administrative expenses	1,277,000	1,082,000	3,851,000	2,749,000
Loss on disposal of restaurant assets	<u>205,000</u>	<u>51,000</u>	<u>421,000</u>	<u>130,000</u>
Operating income	438,000	1,430,000	2,326,000	3,007,000
Interest expense:				
Bank debt and notes payable	(1,143,000)	(1,025,000)	(3,389,000)	(1,918,000)
Capital leases	(19,000)	(24,000)	(57,000)	(60,000)
Other income and expense, net	<u>52,000</u>	<u>35,000</u>	<u>118,000</u>	<u>60,000</u>
Income (loss) from continuing operations before income taxes	(672,000)	416,000	(1,002,000)	1,089,000
Provision for income taxes	<u>3,000</u>	<u>3,000</u>	<u>10,000</u>	<u>2,000</u>
Income (loss) from continuing operations	(675,000)	413,000	(1,012,000)	1,087,000
Gain (loss) from discontinued operations	<u>137,000</u>	<u>-</u>	<u>137,000</u>	<u>(629,000)</u>
Net income (loss)	<u>\$ (538,000)</u>	<u>\$ 413,000</u>	<u>\$ (875,000)</u>	<u>\$ 458,000</u>
Basic and diluted income (loss) per common share:				
Continuing operations	\$ (.23)	\$.14	\$ (.35)	\$.37
Discontinued operations	<u>.05</u>	<u>-</u>	<u>.05</u>	<u>(.21)</u>
Net (loss) income per share	\$ (.18)	\$.14	\$ (.30)	\$.16
Weighted average number of shares outstanding	2,937,572	2,910,839	2,928,441	2,910,839
		<u>November 5, 2000</u>	<u>February 27, 2000</u>	
ASSETS				
Current assets		\$ 5,287,000	\$ 6,317,000	
Property and equipment, net		41,569,000	40,833,000	
Other assets		<u>14,613,000</u>	<u>15,038,000</u>	
Total assets		<u>\$61,469,000</u>	<u>\$62,188,000</u>	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities		\$ 8,442,000	\$10,545,000	
Long-term debt		51,363,000	49,968,000	
Long-term capital lease obligations		672,000	745,000	
Advance on supply agreement		902,000	-	
Shareholders' equity		<u>90,000</u>	<u>930,000</u>	
Total liabilities and shareholders' equity		<u>\$61,469,000</u>	<u>\$62,188,000</u>	