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**MORGAN'S FOODS ANNOUNCES THIRD QUARTER FISCAL 2000 RESULTS**

Beachwood, Ohio (December 22, 1999) -- Morgan's Foods, Inc. (AMEX:MR) ([www.morgansfoods.com](http://www.morgansfoods.com)) today announced financial results for the third quarter of its 2000 fiscal year. For the quarter ended November 7, 1999, the Company reported revenues of \$20,274,000, compared to revenues of \$8,318,000 for the quarter ended November 8, 1998. Revenues for the thirty-six weeks ended November 7, 1999 were \$42,186,000 compared to \$23,060,000 for the comparable year earlier period.

The increase of \$11,956,000 in revenues was due to the combination of several factors. First, approximately \$10,837,000 of sales in the third quarter of fiscal 2000 was added by the acquisition, which occurred during the second quarter of fiscal 2000, from Tricon Global Restaurants, Inc., of 54 KFC and Taco Bell restaurants. Additionally, \$1,397,000 of revenue is attributable to six KFC restaurants which were acquired from other franchisees and three which were newly built since the third quarter of fiscal 1999, partially offset by a comparable sales decline of 2.0% which was the result of several very effective product promotions in the prior year quarter. Revenues for the 36 weeks ended November 7, 1999 were \$42,186,000 compared to \$23,060,000 for the 36 weeks ended November 8, 1998. This increase was attributable to \$15,301,000 of revenues generated by the 54 restaurants acquired from Tricon as well as \$4,492,000 in revenues contributed by eight acquired and three newly built KFC restaurants in the current year period. In addition, the closing of one KFC restaurant caused a decrease in revenue of \$247,000 and revenues in the comparable KFC restaurants decreased by 2.2%.

On December 9, 1999 the Company sold four of its remaining five former East Side Mario's restaurant locations, a business segment which it discontinued in the second quarter of calendar 2000, to Steak and Ale, a division of Metromedia Restaurant Group, and is marketing the remaining location, which it recently closed, with the expectation of selling this location early in fiscal 2001. The Company reported no results from discontinued operations in the third quarter of fiscal 2000 compared to a loss of \$414,000 for the comparable year earlier period. The loss from discontinued operations was \$629,000 for the thirty-six weeks ended November 7, 1999 and \$1,081,000 for the thirty-six weeks ended November 8, 1998. Net income for the third quarter of fiscal 2000 was \$413,000 or \$.14 per share compared to a net loss of \$132,000 or \$.05 per share for the fiscal 1999 third quarter and \$458,000 or \$.16 per share for the thirty-six weeks ended November 7, 1999 compared to a net loss of \$68,000 or \$.02 per share for the thirty-six weeks ended November 8, 1998.

Operating income for the fiscal 2000 third quarter increased to \$1,481,000 from \$517,000 in fiscal 1999, primarily due to the operation of 63 more restaurants. Operating income for the thirty-six weeks ended November 7, 1999 was \$3,137,000 compared to \$1,675,000 in the year earlier period. Net income from continuing operations in the third quarter of fiscal 2000 was \$413,000 or \$.14 per share compared to \$282,000 or \$.10 per share in the third quarter of fiscal 1999 and \$1,087,000 or .37 per share for the thirty-six weeks ended November 7, 1999 compared to \$1,013,000 or \$.35 per share for the thirty-six weeks ended November 8, 1998.

During the current fiscal year, the Company has made capital expenditures of \$38,912,000. These capital expenditures included the building of three new KFC restaurants, relocation of an existing KFC restaurant and the acquisition of 54 KFC and Taco Bell restaurants.

Morgan's Foods, Inc. operates 93 KFC restaurants in five states, 13 of which also offer Taco Bell products, and 12 Taco Bell restaurants in the Pittsburgh, PA market.

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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 7, 1999</u>	<u>November 8, 1998</u>	<u>November 7, 1999</u>	<u>November 8, 1998</u>
Revenues	\$20,274,000	\$ 8,318,000	\$42,186,000	\$23,060,000
Cost of sales:				
Food, paper and beverage	6,153,000	2,810,000	12,691,000	7,308,000
Labor and benefits	5,229,000	2,015,000	10,708,000	5,430,000
Restaurant operating expenses	5,509,000	2,014,000	11,263,000	5,794,000
Depreciation and amortization	820,000	319,000	1,638,000	972,000
General and administrative expenses	<u>1,082,000</u>	<u>643,000</u>	<u>2,749,000</u>	<u>1,881,000</u>
Operating income	1,481,000	517,000	3,137,000	1,675,000
Interest expense:				
Bank debt and notes payable	(1,025,000)	(236,000)	(1,918,000)	(630,000)
Capital leases	(24,000)	(19,000)	(60,000)	(65,000)
Loss on disposal of restaurant assets	(51,000)	-	(130,000)	(8,000)
Other income	<u>35,000</u>	<u>27,000</u>	<u>60,000</u>	<u>59,000</u>
Income from continuing operations before provision for income taxes	416,000	289,000	1,089,000	1,031,000
Provisions for income taxes	<u>3,000</u>	<u>7,000</u>	<u>2,000</u>	<u>18,000</u>
Income from continuing operations	413,000	282,000	1,087,000	1,013,000
Loss from discontinued operations net of income tax	<u>-</u>	<u>(414,000)</u>	<u>(629,000)</u>	<u>(1,081,000)</u>
Net income (loss)	<u>\$ 413,000</u>	<u>\$ (132,000)</u>	<u>\$ 458,000</u>	<u>\$ (68,000)</u>
Earnings (loss) per common share:				
Continuing operations	\$ .14	\$ .10	\$ .37	\$ .35
Discontinued operations	<u>-</u>	<u>(.15)</u>	<u>(.21)</u>	<u>(.37)</u>
Net income (loss)	\$ .14	\$ (.05)	\$ .16	\$ (.02)
Weighted average number of shares outstanding	2,910,839	2,910,839	2,910,839	2,910,839

	<u>November 7, 1999</u>	<u>February 28, 1999</u>
ASSETS		
Current assets	\$10,290,000	\$ 3,243,000
Property and equipment, net	40,276,000	18,392,000
Other assets	<u>14,761,000</u>	<u>2,376,000</u>
Total assets	<u>\$65,327,000</u>	<u>\$24,011,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	\$14,002,000	\$ 5,425,000
Long-term debt	48,846,000	13,094,000
Long-term capital lease obligations	773,000	4,244,000
Shareholders' equity	<u>1,706,000</u>	<u>1,248,000</u>
Total liabilities and shareholders' equity	<u>\$65,327,000</u>	<u>\$24,011,000</u>

