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MORGAN'S FOODS ANNOUNCES FIRST QUARTER FISCAL 1998 RESULTS

Beachwood, Ohio (July 8, 1998) -- Morgan's Foods, Inc. (AMEX:MR) announced financial results for the first quarter of the 1999 fiscal year. For the quarter ended May 24, 1998, the Company reported revenues of \$9,060,000, compared to revenues of \$8,896,000 for the quarter ended May 25, 1997.

The revenue increases are primarily the result of increases in the KFC restaurants, which were partially offset by lower revenue in the East Side Mario's restaurants. Comparable sales for the KFC restaurants increased by 1% from the year earlier period while comparable sales for the East Side Mario's restaurants declined by 7%.

Operating income for the fiscal 1999 first quarter increased \$46,000 to \$262,000 from \$216,000 in fiscal 1998. This increase was the result of improved operating efficiencies in the KFC restaurants partially offset by lower volume and increased operating losses in the East Side Mario's restaurants. Net loss for the first quarter of fiscal 1999 was \$52,000 or \$.02 per share. For the first quarter of fiscal 1998 the Company reported a loss of \$84,000 or \$.03 per share, restated for the one for six reverse stock split.

Subsequent to the end of the quarter, the Company filed a second complaint against East Side Mario's and others in Federal Court alleging violations of the Sherman Anti-trust Act, the Robinson-Patman Act and other statutes relating to East Side Mario's franchising practices and requesting \$60 million in damages. As previously announced, the Company has entered into definitive agreements to purchase six KFC restaurants from other franchisees and expects to complete the transactions within a few weeks. Also, the Company has received approval to add Taco Bell products to its KFC restaurant in Belle Vernon, PA.

Morgan's Foods, Inc. operates 39 KFC restaurants in five states and six East Side Mario's restaurants in Cleveland/Akron and Columbus, Ohio.

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Table Attached.

MORGAN'S FOODS, INC.

SELECTED FINANCIAL INFORMATION

	<u>First Quarter Ended (unaudited)</u>	
	<u>May 24, 1998</u>	<u>May 25, 1997</u>
Revenues	\$ 9,060,000	\$ 8,896,000
Cost of sales:		
Food, paper and beverage	2,679,000	2,768,000
Labor and benefits	2,429,000	2,374,000
Restaurant operating expenses	2,568,000	2,458,000
Depreciation and amortization	457,000	419,000
General and administrative expenses	<u>665,000</u>	<u>661,000</u>
Operating income	262,000	216,000
Interest Expense:		
Bank debt and notes payable	(193,000)	(191,000)
Capital leases	(127,000)	(125,000)
Other income	<u>6,000</u>	<u>16,000</u>
Loss before income taxes	(52,000)	(84,000)
Provision for income taxes	<u>-</u>	<u>-</u>
Net loss	<u>\$ (52,000)</u>	<u>\$ (84,000)</u>
Net loss per common share	<u>\$ (.02)</u>	<u>\$ (.03)</u>
Weighted average shares outstanding	2,910,834	2,949,320
	<u>May 24, 1998</u>	<u>March 1, 1998</u>
ASSETS		
Current assets	\$ 3,119,000	\$ 2,974,000
Property and equipment, net	14,811,000	15,099,000
Other assets	<u>2,043,000</u>	<u>2,037,000</u>
Total assets	<u>\$19,973,000</u>	<u>\$20,110,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	\$ 5,174,000	\$ 5,020,000
Long-term debt	7,722,000	7,815,000
Long-term capital lease obligations	4,873,000	5,019,000
Shareholders' equity	<u>2,204,000</u>	<u>2,256,000</u>
Total liabilities and shareholders' equity	<u>\$19,973,000</u>	<u>\$20,110,000</u>