

**FOR IMMEDIATE RELEASE**

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**MORGAN'S FOODS ANNOUNCES SECOND QUARTER FISCAL 1999 RESULTS**

Beachwood, Ohio (September 30, 1998) -- Morgan's Foods, Inc. (AMEX:MR) announced financial results for the second quarter of the 1999 fiscal year. For the quarter ended August 16, 1998, the Company reported revenues of \$9,606,000, compared to revenues of \$9,714,000 for the quarter ended August 17, 1997. Revenues for the twenty-four weeks ended August 16, 1998 were \$18,666,000 compared to \$18,610,000 for the twenty-four weeks ended August 17, 1997.

For the quarter and twenty-four weeks ended August 16, 1998, KFC restaurant revenue increased primarily as a result of additional KFC restaurants and revenue in the East Side Mario's restaurants decreased. Comparable sales for the KFC restaurants for the quarter decreased by 2.9% from the year earlier because of several successful new product campaigns in the prior year period. Comparable sales for the East Side Mario's restaurants declined by 9.8%.

Operating income for the fiscal 1999 second quarter of \$436,000 was substantially unchanged from \$433,000 in fiscal 1998. This 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. Operating income for the twenty-four weeks ended August 16, 1998 increased to \$698,000 from \$649,000 in the year earlier period. Net income for the second quarter of fiscal 1999 was \$116,000 or \$.04 per share compared to \$110,000 or .04 per share for the second quarter of fiscal 1998, restated for the one for six reverse stock split. For the twenty-four weeks ended August 16, 1998 the Company reported net income of \$64,000 or \$.02 per share compared to \$26,000 or .01 per share for the year earlier period, restated for the one for six reverse stock split.

Subsequent to the end of the quarter, the Company purchased two existing KFC restaurants in the St. Louis area from another franchisee and entered into a definitive agreement to purchase two other KFC restaurants.

Morgan's Foods, Inc. operates 45 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>Quarter Ended</u>		<u>Twenty-Four Weeks Ended</u>	
	<u>August 16, 1998</u>	<u>August 17, 1997</u>	<u>August 16, 1998</u>	<u>August 17, 1997</u>
Revenues	\$ 9,606,000	\$ 9,714,000	\$18,666,000	\$18,610,000
Cost of sales:				
Food, paper and beverage	2,984,000	3,093,000	5,663,000	5,861,000
Labor and benefits	2,358,000	2,551,000	4,787,000	4,925,000
Restaurant operating expenses	2,693,000	2,643,000	5,261,000	5,101,000
Depreciation and amortization	454,000	433,000	911,000	852,000
General and administrative expenses	<u>681,000</u>	<u>561,000</u>	<u>1,346,000</u>	<u>1,222,000</u>
Operating income	436,000	433,000	698,000	649,000
Interest expense:				
Bank debt and notes payable	(201,000)	(212,000)	(394,000)	(403,000)
Capital leases	(130,000)	(126,000)	(257,000)	(251,000)
Other income	<u>22,000</u>	<u>17,000</u>	<u>28,000</u>	<u>33,000</u>
Net income before income taxes	127,000	112,000	75,000	28,000
Provisions for income taxes	11,000	2,000	11,000	2,000
Net income	<u>\$ 116,000</u>	<u>\$ 110,000</u>	<u>\$ 64,000</u>	<u>\$ 26,000</u>
Net income per common share	<u>\$ .04</u>	<u>\$ .04</u>	<u>\$ .02</u>	<u>\$ .01</u>
Weighted average number of shares outstanding	2,910,839	2,939,044	2,910,839	2,944,182

	<u>August 16, 1998</u>	<u>March 1, 1998</u>
<b>ASSETS</b>		
Current assets	\$ 3,615,000	\$ 2,974,000
Property and equipment, net	17,102,000	15,099,000
Other assets	<u>2,219,000</u>	<u>2,037,000</u>
Total assets	<u>\$22,936,000</u>	<u>\$20,110,000</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities	\$ 5,573,000	\$ 5,020,000
Long-term debt	10,295,000	7,815,000
Long-term capital lease obligations	4,748,000	5,019,000
Shareholders' equity	<u>2,320,000</u>	<u>2,256,000</u>
Total liabilities and shareholders' equity	<u>\$22,936,000</u>	<u>\$20,110,000</u>