

FOR IMMEDIATE RELEASE

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**MORGAN'S FOODS ANNOUNCES FOURTH QUARTER
AND FULL FISCAL 2001 RESULTS**

Beachwood, Ohio (May 30, 2001) -- Morgan's Foods, Inc. (AMEX:MR) (www.morgansfoods.com) announced financial results for the fourth quarter and full 2001 fiscal year. Revenue was \$78,140,000 in fiscal 2001 an increase of \$14,534,000 or 22.9% compared to revenue of \$63,606,000 in fiscal 2000. The increase in restaurant revenues during fiscal 2001 was the result of \$16,319,000 in revenues generated by newly built or acquired restaurants which was partially offset by a 1.4% decrease in comparable restaurant revenues and lost sales of \$1,364,000 due to restaurants being temporarily closed for image enhancements or permanently closed. The decline in comparable restaurant revenues was primarily the result of ineffective franchisor product promotions during the year.

For the fourth quarter ended February 25, 2001, the Company reported revenues of \$22,573,000, a decrease of \$216,000 from \$22,789,000 for the quarter ended February 27, 2000. The decrease was due to a comparable restaurant decrease of 2.0% and lost sales of \$414,000 during the fiscal fourth quarter due to restaurants being permanently closed or temporarily closed for image enhancements which was offset by \$625,000 in revenues generated by newly built or expanded restaurants.

Operating income for fiscal 2001 decreased to \$3,190,000 from \$3,739,000 in fiscal 2000, due to several factors including the 1.4% decrease in comparable restaurant revenues. Also, the recently acquired restaurants which were not comparable and included our free standing Taco Bells suffered a more severe decline in revenues of approximately 7% from their prior year levels and increased electric and natural gas utility costs as well as unusual expenses of \$732,000, such as losses on restaurant assets and advisory fees, further impacted operating income. Income (loss) from continuing operations for fiscal 2001 was \$(1,693,000) or \$(.58) per share compared to a profit of \$283,000 or \$.10 per share for fiscal 2000 and including discontinued operations, resulted in a net loss for fiscal 2001 of \$(1,543,000) or \$(.53) per share and a net loss for fiscal 2000 of \$(346,000) or \$(.12) per share. Income from continuing operations in fiscal 2001 includes \$3,962,000 of depreciation expense and \$5,008,000 of interest expense compared to \$2,778,000 and \$3,573,000, respectively, in the prior year. The Company also made principal payments on long-term debt of \$1,862,000 in fiscal 2001 compared to \$1,074,000 in fiscal 2000.

The Company believes that the issues which caused unusually severe decreases in KFC restaurant revenues and even more severe decreases in Taco Bell revenues have, in large part, been resolved. Starting in the last month of fiscal 2001, comparable restaurant revenues began increasing, causing operating income in the fourth quarter of fiscal 2001 to increase 18% over the prior year fourth quarter. As of the week ending May 20, 2001, the Company experienced its twenty-second consecutive week of

comparable restaurant revenue increases. The Company's preliminary indications are that the first quarter of fiscal 2002 will show a substantial improvement over the net loss of \$442,000 reported for the first quarter of fiscal 2001.

On April 24, 2001 Morgan's announced that upon completing the process of reviewing strategic alternatives, the Company's financial advisor concluded that, at this time, the Company should terminate the solicitation of indications of interest from potential purchasers for its sale. Morgan's will continue previously implemented programs designed to increase the efficiency of its restaurant operations and maximize cash flow and will selectively open, renovate, close or sell restaurants.

During fiscal 2001, the Company opened two new KFC/Taco Bell "2n1" restaurants, added a concept to three restaurants, closed four restaurants and sold the one remaining former East Side Mario's location. The Company made \$3,317,000 in capital investments during fiscal 2001.

Morgan's Foods, Inc. operates 76 KFC restaurants, 8 Taco Bell restaurants, 17 KFC/Taco Bell "2n1's" and 2 Taco Bell/Pizza Hut Express "2n1" restaurants in six states.

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The statements include those identified by such words as "may," "will," "expect" "anticipate," "believe," "plan" and other similar terminology. These "forward-looking statements" reflect the Company's current expectations and are based upon data available at the time of the statements. Actual results involve risks and uncertainties, including both those specific to the Company and those specific to the industry, and could differ materially from expectations.

Industry risks and uncertainties include, but are not limited to, franchisor promotions, business and economic conditions, legislation and governmental regulation, competition, success of operating initiatives and advertising and promotional efforts, volatility of commodity costs and increases in minimum wage and other operating costs, availability and cost of land and construction, consumer preferences, spending patterns and demographic trends.

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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 25, 2001</u>	<u>February 27, 2000</u>	<u>February 25 2001</u>	<u>February 27, 2000</u>
Revenues	\$22,573,000	\$22,789,000	\$78,140,000	\$63,606,000
Cost of sales:				
Food, paper and beverage	6,672,000	7,264,000	24,378,000	19,955,000
Labor and benefits	5,867,000	6,270,000	20,702,000	16,978,000
Restaurant operating expenses	6,090,000	5,629,000	19,795,000	15,523,000
Depreciation and amortization	1,239,000	1,140,000	3,962,000	2,778,000
G&A expenses	1,665,000	1,671,000	5,516,000	4,420,000
Loss on restaurant assets	<u>176,000</u>	<u>83,000</u>	<u>597,000</u>	<u>213,000</u>
Operating income	864,000	732,000	3,190,000	3,739,000
Interest Expense:				
Bank debt and notes payable	(1,538,000)	(1,563,000)	(4,927,000)	(3,481,000)
Capital leases	(24,000)	(32,000)	(81,000)	(92,000)
Other income and expense, net	<u>30,000</u>	<u>60,000</u>	<u>148,000</u>	<u>121,000</u>
Income (loss) from continuing operations before income taxes and extraordinary items	(668,000)	(803,000)	(1,670,000)	287,000
Provision for income taxes	<u>13,000</u>	<u>2,000</u>	<u>23,000</u>	<u>4,000</u>
Income (loss) from continuing operations before income taxes	(681,000)	(805,000)	(1,693,000)	283,000
Gain (loss) from discontinued operations	<u>13,000</u>	<u>-</u>	<u>150,000</u>	<u>(629,000)</u>
Net loss	<u>\$ (668,000)</u>	<u>\$ (805,000)</u>	<u>\$ (1,543,000)</u>	<u>\$ (346,000)</u>
Per share amounts:				
Income (loss) from continuing operations	\$ (.23)	\$ (.28)	\$ (.58)	\$.10
Gain (loss) from discontinued operations	<u>-</u>	<u>-</u>	<u>.05</u>	<u>(.22)</u>
Net loss	<u>\$ (.23)</u>	<u>\$ (.28)</u>	<u>\$ (.53)</u>	<u>\$ (.12)</u>
Average number of shares outstanding	2,937,572	2,912,894	2,931,227	2,912,894
			<u>February 25, 2001</u>	<u>February 27, 2000</u>
ASSETS				
Current assets			\$ 6,628,000	\$ 6,317,000
Property and equipment, net			40,554,000	40,833,000
Other assets			<u>14,372,000</u>	<u>15,038,000</u>
Total assets			<u>\$61,554,000</u>	<u>\$62,188,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)				
Current liabilities			\$ 9,082,000	\$10,545,000
Long-term debt			51,046,000	49,968,000
Long-term capital lease obligations			651,000	745,000
Other long-term liabilities			1,353,000	-
Shareholders' equity (deficit)			<u>(578,000)</u>	<u>930,000</u>
Total liabilities and shareholders' equity (deficit)			<u>\$61,554,000</u>	<u>\$62,188,000</u>