

FOR IMMEDIATE RELEASE

Contact: Kenneth L. Hignett
Senior Vice President, Chief Financial Officer & Secretary
(216) 360-7500

MORGAN'S FOODS ANNOUNCES FOURTH QUARTER AND FULL FISCAL 2000 RESULTS

Beachwood, Ohio (May 31, 2000) -- Morgan's Foods, Inc. (AMEX:MR) (www.morgansfoods.com) today announced financial results for the fourth quarter and full 2000 fiscal year. Revenue was \$65,660,000 in fiscal 2000 an increase of \$32,620,000 or 98.7% compared to revenue of \$33,040,000 in fiscal 1999. The increase in restaurant revenues during fiscal 2000 was the result of \$34,577,000 in revenues generated by the 56 KFC's and Taco Bell's which were acquired and the two new KFC's which were built during fiscal 2000, partially offset by a 5.1% decrease in comparable KFC revenues. The decline in comparable restaurant revenues was primarily caused by the somewhat ineffective sandwich promotion in the later half of the year and the ineffective Star Wars promotion in the early part of the year compared to successful promotions in the prior fiscal year.

For the fourth quarter ended February 27, 2000, the Company reported revenues of \$23,474,000, a 135.2% increase from \$9,980,000 for the quarter ended February 28, 1999. The increase was due to the addition of 56 new restaurants, one of which was added during the fiscal fourth quarter, partially offset by a comparable restaurant revenue decline of 5.0%.

The loss from discontinued operations in fiscal 2000 was \$629,000 or \$.22 per share compared to a loss of \$1,634,000 or \$.56 per share in fiscal 1999 and the extraordinary loss on early extinguishment of debt in fiscal 1999 was \$287,000, or \$.10 per share. Income from continuing operations before extraordinary items for fiscal 2000 was \$283,000 or \$.10 per share compared to \$913,000 or \$.31 per share for fiscal 1999 bringing the net loss for fiscal 2000 to \$346,000 or \$.12 per share and the net loss for fiscal 1999 to \$1,008,000 or \$.35 per share. Income from continuing operations in fiscal 2000 includes \$2,778,000 of depreciation expense and \$3,481,000 of interest expense compared to \$1,389,000 and \$992,000, respectively in the prior year. The Company also made principal payments on long-term debt of \$1,074,000 in fiscal 2000 compared to \$577,000 in fiscal 1999.

During fiscal 2000, the Company acquired 42 KFC restaurants and 12 Taco Bell restaurants from KFC Corporation and Taco Bell Corp., respectively and two KFC restaurants from another franchisee. Also, the Company opened two new KFC restaurants and sold four of the remaining five former East Side Mario's restaurant locations and is marketing the remaining location with the expectation of selling this location early in fiscal year 2001. The Company made \$41,279,000 in capital investments during fiscal 2000 including acquisitions.

"Now that the East Side Mario's situation is almost entirely behind us, management will be able to focus its entire attention on enhancing our operating efficiencies and executing the restaurant development plan we began with the major acquisition of 54 restaurants last July", said Leonard R. Stein-Sapir, Chairman & CEO.

Morgan's Foods, Inc. operates 79 KFC restaurants, 11 Taco Bell restaurants, and 16 KFC/Taco Bell "2n1's" in six states.

###

Table Attached.

MORGAN'S FOODS, INC.
SELECTED FINANCIAL INFORMATION

	<u>Fourth Quarter Ended (unaudited)</u>		<u>Year Ended</u>	
	<u>February 27, 2000</u>	<u>February 28, 1999</u>	<u>February 27, 2000</u>	<u>February 28, 1999</u>
Revenues	\$23,474,000	\$9,980,000	\$65,660,000	\$33,040,000
Cost of sales:				
Food, paper and beverage	7,264,000	3,202,000	19,955,000	10,510,000
Labor and benefits	6,270,000	2,464,000	16,978,000	7,894,000
Restaurant operating expenses	6,314,000	2,692,000	17,577,000	8,486,000
Depreciation and amortization	1,140,000	417,000	2,778,000	1,389,000
G&A expenses	1,671,000	929,000	4,420,000	2,810,000
Loss on sale or disposal of restaurant assets	<u>83,000</u>	<u>3,000</u>	<u>213,000</u>	<u>11,000</u>
Operating income	732,000	273,000	3,739,000	1,940,000
Interest Expense:				
Bank debt and notes payable	(1,563,000)	(362,000)	(3,481,000)	(992,000)
Capital leases	(32,000)	(27,000)	(92,000)	(92,000)
Other income and expense, net	<u>60,000</u>	<u>18,000</u>	<u>121,000</u>	<u>77,000</u>
Income from continuing operations before income taxes and extraordinary items	(803,000)	(98,000)	287,000	933,000
Provision for income taxes	<u>2,000</u>	<u>2,000</u>	<u>4,000</u>	<u>20,000</u>
Income (loss) from continuing operations before income taxes	(805,000)	(100,000)	283,000	913,000
Extraordinary loss on early extinguishment of debt	-	(287,000)	-	(287,000)
Loss from discontinued operations	<u>-</u>	<u>(553,000)</u>	<u>(629,000)</u>	<u>(1,634,000)</u>
Net loss	<u>\$ (805,000)</u>	<u>\$ (940,000)</u>	<u>\$ (346,000)</u>	<u>\$ (1,008,000)</u>
Per share amounts:				
Income (loss) from continuing operations	\$ (.28)	\$ (.03)	\$.10	\$.31
Loss on early extinguishment of debt	-	(.10)	-	(.10)
Loss from discontinued operations	<u>-</u>	<u>(.19)</u>	<u>(.22)</u>	<u>(.56)</u>
Net loss	<u>\$ (.28)</u>	<u>\$ (.32)</u>	<u>\$ (.12)</u>	<u>\$ (.35)</u>
Average number of shares outstanding	2,912,894	2,910,839	2,912,894	2,910,839

	<u>February 27, 2000</u>	<u>February 28, 1999</u>
ASSETS		
Current assets	\$ 6,317,000	\$ 3,243,000
Property and equipment, net	40,833,000	18,392,000
Other assets	<u>15,038,000</u>	<u>2,376,000</u>
Total assets	<u>\$62,188,000</u>	<u>\$24,011,000</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities	10,545,000	5,425,000
Long-term debt	49,968,000	13,094,000
Long-term capital lease obligations	745,000	4,244,000
Shareholders' equity	<u>930,000</u>	<u>1,248,000</u>
Total liabilities and shareholders' equity	<u>\$62,188,000</u>	<u>\$24,011,000</u>

