

FOR IMMEDIATE RELEASE

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**MORGAN'S FOODS ANNOUNCES FOURTH QUARTER
AND FULL FISCAL 1999 RESULTS**

Beachwood, Ohio (June 2, 1999) -- Morgan's Foods, Inc. (AMEX:MR) today announced financial results for the fourth quarter and full 1999 fiscal year. Revenues in fiscal 1999 increased 4.5% to \$40,607,000 compared to \$38,868,000 in fiscal 1998. The revenue increase was due to the 1.0% comparable restaurant increase in the KFC restaurants, the acquisition of eight KFC's during fiscal 1999 and the opening of one new KFC in fiscal 1999, partially offset by the 8.5% comparable restaurant revenue decline in the East Side Mario's restaurants and the closing of one East Side Mario's restaurant in the third quarter of fiscal 1999.

For the fourth quarter ended February 28, 1999, the Company reported revenues of \$11,969,000, a 6.6% increase from \$11,224,000 for the quarter ended March 1, 1998. The reported increase was primarily the combination of a 2.1% increase in comparable restaurant KFC revenues and the addition of nine new KFC restaurants, partially offset by an 8.5% decline in East Side Mario's comparable restaurant revenues combined with the closing of one East Side Mario's restaurant late in the third quarter of fiscal 1999.

Net loss for fiscal 1999 before extraordinary items was \$721,000 or \$.25 per share compared to a net loss of \$928,000 or \$.31 per share for fiscal 1998. The extraordinary loss on early extinguishment of debt was \$287,000, or \$.10 per share, bringing the net loss for fiscal 1999 to \$1,008,000. The net loss for fiscal 1998 included a loss on the disposal of unprofitable KFC restaurants of \$98,000. During fiscal 1999, the Company generated \$1,148,000 in cash flow from operations.

During fiscal 1999, the Company added four KFC restaurants in Erie, PA, two KFC restaurants in St. Louis, MO and two KFC restaurants in the Jamestown, NY area by acquisition and built a new KFC restaurant in Boardman, OH. Subsequent to the fiscal year end, the Company entered into definitive agreements to purchase 43 KFC restaurants and 12 Taco Bell restaurants from KFC Corp. and Taco Bell Corp. respectively. Also, subsequent to the fiscal year end, the Company opened a new KFC restaurant in Troy, IL and liquidated its leasehold interest in the East Side Mario's property in Mayfield Heights, OH. The Company made \$5,379,000 in capital investments in its KFC restaurants during fiscal 1999 bringing the total invested in KFC restaurants over the last two years to more than \$8 million.

Morgan's Foods, Inc. operates 49 KFC restaurants in six states and five 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>Fourth Quarter Ended (unaudited)</u> | | <u>Year Ended</u> | |
|--|---|----------------------|--------------------------|----------------------|
| | <u>February 28, 1999</u> | <u>March 1, 1998</u> | <u>February 28, 1999</u> | <u>March 1, 1998</u> |
| Revenues | \$11,969,000 | \$11,224,000 | \$40,607,000 | \$38,868,000 |
| Cost of sales: | | | | |
| Food, paper and beverage | 3,797,000 | 3,498,000 | 12,774,000 | 12,259,000 |
| Labor and benefits | 3,201,000 | 3,127,000 | 10,635,000 | 10,456,000 |
| Restaurant operating expenses | 3,492,000 | 3,460,000 | 11,348,000 | 11,001,000 |
| Depreciation and amortization | 589,000 | 569,000 | 1,948,000 | 1,840,000 |
| Asset Impairments | - | - | - | - |
| General and administrative expenses | <u>1,030,000</u> | <u>936,000</u> | <u>3,137,000</u> | <u>2,799,000</u> |
| Operating income (loss) | (140,000) | (366,000) | 765,000 | 513,000 |
| Interest Expense: | | | | |
| Bank debt and notes payable | (362,000) | (245,000) | (992,000) | (836,000) |
| Capital leases | (165,000) | (179,000) | (546,000) | (554,000) |
| Loss on sale of restaurants | (11,000) | (18,000) | (11,000) | (98,000) |
| Other income | <u>27,000</u> | <u>4,000</u> | <u>83,000</u> | <u>61,000</u> |
| Loss before extraordinary item and income taxes | (651,000) | (804,000) | (701,000) | (914,000) |
| Provision for income taxes | <u>2,000</u> | <u>7,000</u> | <u>20,000</u> | <u>14,000</u> |
| Loss before extraordinary item | (653,000) | (811,000) | (721,000) | (928,000) |
| Extraordinary loss on early extinguishment of debt | <u>(287,000)</u> | <u>-</u> | <u>(287,000)</u> | <u>-</u> |
| Net loss | <u>\$ (940,000)</u> | <u>\$ (811,000)</u> | <u>\$ (1,008,000)</u> | <u>\$ (928,000)</u> |
| Per share amounts: | | | | |
| Loss before extraordinary item | \$ (.23) | \$ (.27) | \$ (.25) | \$ (.31) |
| Extraordinary loss on early extinguishment of debt | <u>(.10)</u> | <u>-</u> | <u>(.10)</u> | <u>-</u> |
| Net loss | <u>\$ (.33)</u> | <u>\$ (.27)</u> | <u>\$ (.35)</u> | <u>\$ (.31)</u> |
| Average number of shares outstanding | 2,910,839 | 2,936,877 | 2,910,839 | 2,936,877 |

| | <u>February 28, 1999</u> | <u>March 1, 1998</u> |
|---|--------------------------|----------------------|
| ASSETS | | |
| Current assets | \$ 3,243,000 | \$ 2,974,000 |
| Property and equipment, net | 18,392,000 | 15,099,000 |
| Other assets | <u>2,376,000</u> | <u>2,037,000</u> |
| Total assets | <u>24,011,000</u> | <u>20,110,000</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | 5,425,000 | 5,020,000 |
| Long-term debt | 13,094,000 | 7,815,000 |
| Long-term capital lease obligations | 4,244,000 | 5,019,000 |
| Shareholders' equity | <u>1,248,000</u> | <u>2,256,000</u> |
| Total liabilities and shareholders' equity | <u>\$24,011,000</u> | <u>\$20,110,000</u> |