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

**MORGAN'S FOODS ANNOUNCES FIRST QUARTER
FISCAL 2002 RESULTS**

Beachwood, Ohio (July 5, 2001) -- Morgan's Foods, Inc. (AMEX:MR) (www.morgansfoods.com) today announced financial results for the first quarter of its 2002 fiscal year. For the quarter ended May 20, 2001, the Company reported revenues of \$18,607,000, compared to revenues of \$17,566,000 for the quarter ended May 21, 2000.

The revenue increase in the quarter was primarily the result of \$410,000 in revenue generated by newly built restaurants and restaurants to which a second concept was added and a 6.0% increase in comparable restaurant revenues which was the result of effective product promotions by the franchisor during the quarter. These increases were partially offset by lost revenues of \$341,000 due to restaurants being permanently closed.

Operating income for the fiscal 2002 first quarter increased to \$1,068,000 from \$675,000 in fiscal 2001, primarily due to higher average restaurant volumes, the closing of several unprofitable restaurants and improved operating efficiencies. The net loss for the first quarter of fiscal 2002 was \$65,000 or \$.02 per share compared to a net loss of \$442,000 or \$.15 per share for the first quarter of fiscal 2001.

The current year results contain \$1,193,000 of interest expense and \$921,000 of depreciation and amortization expense compared to \$1,162,000 and \$888,000 respectively in the prior year period. The Company made \$502,000 in principal payments on debt during the current year quarter compared to \$451,000 in the prior year and reported operating cash flow of \$983,000 during the first quarter of fiscal 2002 compared to \$524,000 during the first quarter of 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's" in six states.

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Table Attached.

MORGAN'S FOODS, INC.

SELECTED FINANCIAL INFORMATION

	<u>First Quarter Ended (unaudited)</u>	
	<u>May 20, 2001</u>	<u>May 21, 2000</u>
Revenues	\$18,607,000	\$17,566,000
Cost of sales:		
Food, paper and beverage	5,784,000	5,403,000
Labor and benefits	4,920,000	4,883,000
Restaurant operating expenses	4,714,000	4,440,000
Depreciation and amortization	921,000	888,000
G&A expenses	1,194,000	1,258,000
Loss on restaurant assets	<u>6,000</u>	<u>19,000</u>
Operating income	1,068,000	675,000
Interest Expense:		
Bank debt and notes payable	(1,177,000)	(1,143,000)
Capital leases	(16,000)	(19,000)
Other income and expense, net	<u>53,000</u>	<u>48,000</u>
Loss before income taxes	(72,000)	(439,000)
Provision for income taxes	<u>(7,000)</u>	<u>3,000</u>
Net Loss	<u>\$ (65,000)</u>	<u>\$ (442,000)</u>
Basic and diluted net loss per common share	<u>\$ (.02)</u>	<u>\$ (.15)</u>
Weighted average number of shares outstanding	2,944,026	2,922,727

	<u>May 20, 2001</u>	<u>February 25, 2001</u>
ASSETS		
Current assets	\$ 7,281,000	\$ 6,628,000
Property and equipment, net	39,847,000	40,554,000
Other assets	<u>14,183,000</u>	<u>14,372,000</u>
Total assets	<u>\$61,311,000</u>	<u>\$61,554,000</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities	\$ 9,492,000	\$ 9,082,000
Long-term debt	50,493,000	51,046,000
Long-term capital lease obligations	629,000	651,000
Other long-term liabilities	1,295,000	1,353,000
Shareholders' deficit	<u>(598,000)</u>	<u>(578,000)</u>
Total liabilities and shareholders' deficit	<u>\$61,311,000</u>	<u>\$61,554,000</u>