

FOR IMMEDIATE RELEASE

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**MORGAN'S FOODS ANNOUNCES SECOND QUARTER FISCAL 2001 RESULTS
AND SALE OF FORMER RESTAURANT LOCATION**

Beachwood, Ohio (September 28, 2000) -- Morgan's Foods, Inc. (AMEX:MR) (www.morgansfoods.com) today announced financial results for the second quarter of its 2001 fiscal year. For the quarter ended August 13, 2000, the Company reported revenues of \$19,282,000, compared to revenues of \$13,193,000 for the quarter ended August 15, 1999. Revenues for the twenty-four weeks ended August 13, 2000 were \$36,848,000 compared to \$21,297,000 for the comparable year earlier period.

The revenue increases in the quarter and twenty-four weeks were primarily the result of operating two additional KFC restaurants for the full periods reported, converting two Taco Bell's to KFC/Taco Bell "2n1's" and operating 56 KFC and Taco Bell restaurants which were acquired in July 1999. These increases were partially offset by comparable restaurant revenue declines of 1.6% in the quarter and 3.5% in the twenty-four weeks and lost sales of \$325,000 for the quarter and \$494,000 for the twenty-four weeks due to restaurants being permanently or temporarily closed. The decline in comparable restaurant revenues was primarily the result of ineffective product promotions by the franchisor in the quarter.

Operating income for the fiscal 2001 second quarter increased, only slightly, to \$1,213,000 from \$1,204,000 in fiscal 2000, primarily due to lower average restaurant volumes in the acquired restaurants and unfavorable food costs as a result of the Company's primary supplier entering Chapter 11 bankruptcy. These reductions were partially offset by operating more restaurants in the current year. Operating income for the twenty-four weeks ended August 13, 2000 was \$1,888,000 compared to \$1,577,000 in the year earlier period for the same reasons. Net income from continuing operations in the second quarter of fiscal 2001 was \$105,000 or \$.04 per share compared to \$575,000 or \$.20 per share in the second quarter of fiscal 2000 and a loss of (\$337,000) or (.12) per share for the twenty-four weeks ended August 13, 2000 compared to \$675,000 or \$.23 per share for the twenty-four weeks ended August 15, 1999. Net income (loss) for the second quarter of fiscal 2001 was \$105,000 or \$.04 per share compared to \$284,000 or \$.10 per share for the fiscal 2000 second quarter and (\$337,000) or (\$.12) per share for the twenty-four weeks ended August 13, 2000 compared to \$46,000 or \$.02 per share for the twenty-four weeks ended August 13, 1999.

During the current fiscal year, the Company has made capital expenditures of \$3,022,000. These capital expenditures included the building of two new KFC/Taco Bell restaurants and the conversion of two Taco Bell's to KFC/Taco Bell "2n1's".

The Company also announced that it has sold its remaining former East Side Mario's restaurant location, leaving only one liquor license to be sold in order to complete its disposal of the assets of this segment.

Morgan's Foods, Inc. operates 77 KFC restaurants, 8 Taco Bell restaurants, 18 KFC/Taco Bell "2n1's" restaurants 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>Quarter Ended</u>		<u>Twenty-Four Weeks Ended</u>	
	<u>August 13, 2000</u>	<u>August 15, 1999</u>	<u>August 13, 2000</u>	<u>August 15, 1999</u>
Revenues	\$19,282,000	\$13,193,000	\$36,848,000	\$21,297,000
Cost of sales:				
Food, paper and beverage	6,194,000	4,028,000	11,597,000	6,538,000
Labor and benefits	4,951,000	3,382,000	9,834,000	5,479,000
Restaurant operating expenses	4,512,000	3,114,000	8,952,000	5,139,000
Depreciation and amortization	899,000	493,000	1,787,000	818,000
General and administrative expenses	1,316,000	893,000	2,574,000	1,667,000
Loss on disposal of restaurant assets	<u>197,000</u>	<u>79,000</u>	<u>216,000</u>	<u>79,000</u>
Operating income	1,213,000	1,204,000	1,888,000	1,577,000
Interest expense:				
Bank debt and notes payable	(1,103,000)	(612,000)	(2,246,000)	(893,000)
Capital leases	(19,000)	(24,000)	(38,000)	(36,000)
Other income and expense, net	<u>18,000</u>	<u>10,000</u>	<u>66,000</u>	<u>26,000</u>
Income (loss) from continuing operations before income taxes	109,000	578,000	(330,000)	674,000
Provision (benefit) for income taxes	<u>4,000</u>	<u>3,000</u>	<u>7,000</u>	<u>(1,000)</u>
Income (loss) from continuing operations	105,000	575,000	(337,000)	675,000
Loss from discontinued operations	<u>-</u>	<u>(291,000)</u>	<u>-</u>	<u>(629,000)</u>
Net income (loss)	<u>\$ 105,000</u>	<u>\$ 284,000</u>	<u>\$ (337,000)</u>	<u>\$ 46,000</u>
Income (loss) per common share:				
Continuing operations	\$.04	\$.20	\$ (.12)	\$.23
Discontinued operations	<u>-</u>	<u>(.10)</u>	<u>-</u>	<u>(.21)</u>
Net income	\$.04	\$.10	\$ (.12)	\$.02
Weighted average number of shares outstanding	2,925,024	2,910,839	2,923,876	2,910,839

	<u>August 13, 2000</u>	<u>February 27, 2000</u>
ASSETS		
Current assets	\$ 5,436,000	\$ 6,317,000
Property and equipment, net	42,190,000	40,833,000
Other assets	<u>14,785,000</u>	<u>15,038,000</u>
Total assets	<u>\$62,411,000</u>	<u>\$62,188,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	\$10,015,000	\$10,545,000
Long-term debt	50,155,000	49,968,000
Long-term capital lease obligations	697,000	745,000
Advance on supply agreement	916,000	-
Shareholders' equity	<u>628,000</u>	<u>930,000</u>
Total liabilities and shareholders' equity	<u>\$62,411,000</u>	<u>\$62,188,000</u>