

Morgan's FOODS, INC.

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FOR IMMEDIATE RELEASE

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MORGAN'S FOODS ANNOUNCES THAT IMPROVED PROFITS END FINANCIAL RESTRUCTURING INITIATIVE

Beachwood, Ohio (October 5, 2005) -- Morgan's Foods, Inc. (OTC:MRFD) (www.morgansfoods.com) announces that improved profits end financial restructuring initiative.

The Company previously announced a financial and organizational restructuring which began in the fall of 2004. Due to the success of the organizational restructuring and the introduction of successful new products by the Company's franchisors, restaurant efficiencies have improved dramatically, sales have increased substantially and the Company has returned to profitability. These changes have made the previously announced financial restructuring unnecessary and the Company has officially ended that initiative.

On Wednesday September 28, 2005, for the quarter ended August 14, 2005, the Company reported revenues of \$21,558,000, compared to revenues of \$19,791,000 for the quarter ended August 15, 2004. Revenues for the twenty-four weeks ended August 14, 2005 were \$42,318,000 compared to \$38,134,000 for the comparable year earlier period. The revenue increases in the quarter and twenty-four weeks were primarily the result of comparable restaurant revenue increases of 10.3% and 12.8%, respectively, which were partially offset by revenues lost due to the closing of three unprofitable restaurants. The increase in comparable restaurant revenues was primarily the result of more effective product promotions by the franchisors during the current year quarter including the \$.99 KFC snacker sandwich.

Net income in the second quarter of fiscal 2006 was \$1,084,000 or \$.40 per share compared to a net income of \$99,000 or \$.04 per share in the second quarter of fiscal 2005. For the twenty-four weeks ended August 14, 2005 net income was \$2,341,000 or \$.86 per share compared to a net loss of \$(748,000) or \$(.28) per share for the twenty-four weeks ended August 15, 2004. The Company's improved profitability is primarily a result of its organizational restructuring, efficiencies resulting from higher average restaurant volumes, and the receipt of the property insurance proceeds of \$144,000 during the quarter ended August 14, 2005 and \$405,000 during the twenty-four weeks ended August 14, 2005.

Primarily as a result of its improved profitability, the Company's operating cash flow for the twenty-four weeks ended August 14, 2005 increased to \$3,918,000 from \$1,387,000 for the twenty-four weeks ended August 15, 2004 and in turn increased the Company's cash balance from \$3,654,000 at the end of fiscal 2005 to \$6,420,000 at August 14, 2005.

Morgan's Foods, Inc. operates a total of 98 restaurants in six states, being comprised of 71 KFC restaurants, 7 Taco Bell restaurants, 14 KFC/Taco Bell "2n1" restaurants, 3 Taco Bell/Pizza Hut Express "2n1's", 1 KFC/Pizza Hut Express "2n1" and 1 KFC/A&W "2n1".

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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 14, 2005</u>	<u>August 15, 2004</u>	<u>August 14, 2005</u>	<u>August 15, 2004</u>
Revenues	\$21,558,000	\$19,791,000	\$42,318,000	\$38,134,000
Cost of sales:				
Food, paper and beverage	6,621,000	6,303,000	13,042,000	11,875,000
Labor and benefits	5,511,000	5,359,000	10,855,000	10,839,000
Restaurant operating expenses	5,451,000	5,109,000	10,566,000	9,891,000
Depreciation and amortization	762,000	777,000	1,512,000	1,560,000
General and administrative expenses	1,316,000	1,122,000	2,467,000	2,395,000
Loss on restaurant assets	<u>(142,000)</u>	<u>22,000</u>	<u>(397,000)</u>	<u>292,000</u>
Operating income	2,039,000	1,099,000	4,273,000	1,282,000
Interest expense:				
Bank debt and notes payable	(946,000)	(1,010,000)	(1,941,000)	(2,046,000)
Capital leases	(20,000)	(11,000)	(31,000)	(22,000)
Other income and expense, net	<u>13,000</u>	<u>22,000</u>	<u>42,000</u>	<u>39,000</u>
Income (loss) before income taxes	1,086,000	100,000	2,343,000	(747,000)
Provision for income taxes	<u>2,000</u>	<u>1,000</u>	<u>2,000</u>	<u>1,000</u>
Net income (loss)	<u>\$ 1,084,000</u>	<u>\$ 99,000</u>	<u>\$ 2,341,000</u>	<u>\$ (748,000)</u>
Basic and diluted net income (loss) per common share	<u>\$.40</u>	<u>\$.04</u>	<u>\$.86</u>	<u>\$ (.28)</u>
Basic weighted average number of shares outstanding	2,718,495	2,718,441	2,718,495	2,718,441
Diluted weighted average number of shares outstanding	2,725,865	2,722,928	2,724,505	2,718,441

	<u>August 14, 2005</u>	<u>February 27, 2005</u>
ASSETS		
Current assets	\$ 7,706,000	\$ 5,223,000
Property and equipment, net	31,223,000	31,607,000
Other assets	<u>11,836,000</u>	<u>11,960,000</u>
Total assets	<u>\$50,765,000</u>	<u>\$48,790,000</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities	\$11,424,000	\$51,271,000
Long-term debt	38,899,000	-
Long-term capital lease obligations	1,212,000	368,000
Other long-term liabilities	1,463,000	1,725,000
Shareholders' deficiency	<u>(2,233,000)</u>	<u>(4,574,000)</u>
Total liabilities and shareholders' deficiency	<u>\$50,765,000</u>	<u>\$48,790,000</u>