

Morgan's FOODS, INC.

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FOR IMMEDIATE RELEASE

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MORGAN'S FOODS ANNOUNCES THIRD QUARTER FISCAL 2007 RESULTS

Beachwood, Ohio (December 20, 2006) -- Morgan's Foods, Inc. (OTC:MRFD) (www.morgansfoods.com) announces third quarter fiscal 2007 results.

For the quarter ended November 5, 2006, the Company reported revenues of \$21,782,000, compared to revenues of \$20,006,000 for the quarter ended November 6, 2005. This increase of \$1,776,000 was due mainly to a 9.3% increase in comparable restaurant revenues driven by a 7.4% increase in transactions. 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 Mashed Potato Bowl and Cheese Snacker sandwich. Revenues for the thirty-six weeks ended November 5, 2006 were \$65,426,000 compared to \$62,324,000 for the thirty-six weeks ended November 6, 2005. This increase was primarily due to a 5.5% increase in comparable restaurant revenues.

Net income in the third quarter of fiscal 2007 was \$1,002,000 or \$.37 per share (\$.35 diluted) compared to net income of \$630,000 or \$.23 per share (\$.22 diluted), as restated for a change in deferred taxes, in the third quarter of fiscal 2006. The prior year quarter included \$320,000 of gain on damaged restaurant assets replaced with insurance proceeds. Net income for the 36 weeks ended November 5, 2006 rose to \$3,190,000 or \$1.17 per share (\$1.13 diluted) compared to \$2,841,000 or \$1.05 per share (\$1.04 diluted) in the prior year period as restated for a change in deferred taxes. The prior year amount also included \$717,000 of gain on damaged restaurants replaced with insurance proceeds.

The Company's operating cash flow for the first 36 weeks of fiscal 2007 was \$5,109,000 compared to \$3,515,000 in the prior year period. The increase in operating cash flow resulted primarily from the improvement in operating results. The Company also had capital expenditures of \$1,857,000 during the period for the image enhancement of four restaurants and the upgrading of various equipment. The strong cash flow in the 36 weeks increased the Company's cash balances from \$6,415,000 at February 26, 2006 to \$7,259,000 at November 5, 2006.

"We are pleased that our franchisors continue to provide the Company with successful products and promotions and extremely proud of our restaurant operations team in their ability to bring these extraordinary results to the bottom line." said Leonard R. Stein-Sapir, Chairman of the Board and Chief Executive Officer.

Morgan's Foods, Inc. operates a total of 97 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

	Third Quarter Ended (unaudited)		Thirty-Six Weeks Ended (unaudited)	
	November 5, 2006	Novmeber 6, 2005	November 5, 2006	Novmeber 6, 2005
		(as restated)		(as restated)
Revenues	\$21,782,000	\$20,006,000	\$65,426,000	\$62,324,000
Cost of sales:				
Food, paper and beverage	6,697,000	6,285,000	20,247,000	19,327,000
Labor and benefits	5,777,000	5,373,000	17,130,000	16,228,000
Restaurant operating expenses	5,347,000	5,077,000	16,140,000	15,643,000
Depreciation and amortization	636,000	745,000	2,081,000	2,257,000
G&A expenses	1,313,000	1,225,000	3,667,000	3,692,000
Loss (gain) on restaurant assets	22,000	(320,000)	(4,000)	(717,000)
Operating income	1,990,000	1,621,000	6,165,000	5,894,000
Interest Expense:				
Bank debt and notes payable	(863,000)	(924,000)	2,655,000	2,865,000
Capital leases	(27,000)	(23,000)	81,000	54,000
Other income and expense, net	39,000	21,000	(139,000)	(63,000)
Income before income taxes	1,139,000	695,000	3,568,000	3,038,000
Provision for income taxes	137,000	65,000	378,000	197,000
Net income	\$ 1,002,000	\$ 630,000	\$ 3,190,000	\$ 2,841,000
Basic net income per common share	\$0.37	\$0.23	\$1.17	\$1.05
Diluted net income per common share	\$0.35	\$0.22	\$1.13	\$1.04
Basic weighted average number of shares outstanding	2,720,430	2,718,495	2,719,140	2,718,441
Diluted weighted average number of shares outstanding	2,833,889	2,808,375	2,821,006	2,726,555

	November 5, 2006	February 26, 2006
ASSETS		
Current assets	\$8,990,000	\$8,246,000
Property and equipment, net	30,060,000	30,225,000
Other assets	12,182,000	12,280,000
Total assets	\$ 51,232,000	\$ 50,751,000

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

Current liabilities	\$10,952,000	\$11,548,000
Long-term debt	35,164,000	37,357,000
Long-term capital lease obligations	1,174,000	1,194,000
Other long-term liabilities	1,374,000	1,507,000
Deferred tax liabilities	1,529,000	1,331,000
Shareholders' equity (deficiency)	1,039,000	(2,186,000)
Total liabilities and shareholders' equity (deficiency)	\$ 51,232,000	\$ 50,751,000