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MORGAN'S FOODS ANNOUNCES THIRD QUARTER FISCAL 2006 RESULTS

Beachwood, Ohio (December 21, 2005) -- Morgan's Foods, Inc. (OTC:MRFD.OB) (www.morgansfoods.com) announces third quarter fiscal 2006 results.

For the quarter ended November 6, 2005, the Company reported revenues of \$20,006,000, compared to revenues of \$19,190,000 for the quarter ended November 7, 2004. Revenues for the thirty-six weeks ended November 6, 2005 were \$62,324,000 compared to \$57,324,000 for the comparable year earlier period. The revenue increases in the quarter and thirty-six weeks were primarily the result of comparable restaurant revenue increases of 4.2% and 9.7%, 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 Company's KFC and Taco Bell franchisors during the current year quarter and thirty-six weeks as well as the results of the company's management restructuring.

Net income in the third quarter of fiscal 2006 was \$694,000 or \$.26 per share (\$.25 diluted) compared to a net loss of \$(1,277,000) or \$(.47) per share in the third quarter of fiscal 2005. For the thirty-six weeks ended November 6, 2005 net income was \$3,038,000 or \$1.12 per share (\$1.11 diluted) compared to a net loss of \$(2,025,000) or \$(.74) per share for the thirty-six weeks ended November 7, 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 insurance proceeds of \$319,000 during the quarter ended November 6, 2005 and \$717,000 during the thirty-six weeks ended November 6, 2005.

Primarily as a result of its improved profitability, the Company's operating cash flow for the thirty-six weeks ended November 6, 2005 increased to \$3,515,000 from \$898,000 for the thirty-six weeks ended November 7, 2004 and in turn increased the Company's cash balances from \$3,654,000 at the end of fiscal 2005 to \$5,157,000 at November 6, 2005.

Morgan's Foods, Inc. operates a total of 98 restaurants in six states, being comprised of 72 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>Thirty-Six Weeks Ended</u>	
	<u>November 6, 2005</u>	<u>November 7, 2004</u>	<u>November 6, 2005</u>	<u>November 7, 2004</u>
Revenues	\$20,006,000	\$19,190,000	\$62,324,000	\$57,324,000
Cost of sales:				
Food, paper and beverage	6,285,000	6,182,000	19,327,000	18,057,000
Labor and benefits	5,373,000	5,290,000	16,228,000	16,129,000
Restaurant operating expenses	5,077,000	4,927,000	15,643,000	14,818,000
Depreciation and amortization	745,000	944,000	2,257,000	2,504,000
General and administrative expenses	1,225,000	1,110,000	3,692,000	3,505,000
(Gain) loss on restaurant assets	<u>(319,000)</u>	<u>434,000</u>	<u>(717,000)</u>	<u>726,000</u>
Operating income	1,620,000	303,000	5,894,000	1,585,000
Interest expense:				
Bank debt and notes payable	(924,000)	(991,000)	(2,865,000)	(3,037,000)
Capital leases	(23,000)	(11,000)	(54,000)	(33,000)
Other income and expense, net	<u>21,000</u>	<u>23,000</u>	<u>63,000</u>	<u>62,000</u>
Income (loss) before income taxes	694,000	(676,000)	3,038,000	(1,423,000)
Provision for income taxes	<u>-</u>	<u>601,000</u>	<u>2,000</u>	<u>602,000</u>
Net income (loss)	<u>\$ 694,000</u>	<u>\$ (1,277,000)</u>	<u>\$ 3,036,000</u>	<u>\$ (2,025,000)</u>
Basic net income (loss) per common share	<u>\$.26</u>	<u>\$ (.47)</u>	<u>\$ 1.12</u>	<u>\$ (.74)</u>
Diluted net income (loss) per common share	<u>\$.25</u>	<u>\$ (.47)</u>	<u>\$ 1.11</u>	<u>\$ (.74)</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	2,808,375	2,718,441	2,726,555	2,718,441

	<u>November 6, 2005</u>	<u>February 27, 2005</u>
ASSETS		
Current assets	\$ 6,947,000	\$ 5,223,000
Property and equipment, net	30,850,000	31,607,000
Other assets	<u>11,791,000</u>	<u>11,960,000</u>
Total assets	<u>\$49,588,000</u>	<u>\$48,790,000</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities	\$10,517,000	\$51,271,000
Long-term debt	38,112,000	-
Long-term capital lease obligations	1,204,000	368,000
Other long-term liabilities	1,293,000	1,725,000
Shareholders' deficiency	<u>(1,538,000)</u>	<u>(4,574,000)</u>
Total liabilities and shareholders' deficiency	<u>\$49,588,000</u>	<u>\$48,790,000</u>