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**MORGAN'S FOODS ANNOUNCES FULL YEAR AND FOURTH QUARTER FISCAL 2006 RESULTS**

Beachwood, Ohio (June 15, 2006) -- Morgan's Foods, Inc. (OTC:MRFD) ([www.morgansfoods.com](http://www.morgansfoods.com)) announces full year and fourth quarter fiscal 2006 results.

For the fiscal year ended February 26, 2006 the Company reported revenues of \$87,457,000 compared to \$80,960,000 for the fiscal year ended February 27, 2005 and \$25,133,000 for the fourth quarter of fiscal 2006 compared to \$23,636,000 for the fourth quarter of fiscal 2005. The revenue increases for the fourth quarter and full year were primarily the result of comparable restaurant revenue increases of 5.4% and 8.5%, respectively, which were partially offset by revenues lost due to the closing of three unprofitable restaurants during fiscal 2005 and one during fiscal 2006. The increase in comparable restaurant revenues was primarily the result of more effective product promotions by the Company's KFC and Taco Bell franchisors as well as the company's management restructuring.

Net income for fiscal 2006 was \$3,437,000 or \$1.26 per share (\$1.24 diluted) compared to a net loss of \$(2,141,000) or \$(.79) per share for fiscal 2005 as restated to correct an error in the recording of deferred taxes which did not affect the Company's cash flow or results of operations. For the fourth quarter of fiscal 2006 net income was \$597,000 or \$.22 per share (\$.21 diluted) compared to \$80,000 or \$(.02) per share for the fourth quarter of fiscal 2005 as restated. The Company's improved profitability is primarily the result of its organizational restructuring and efficiencies resulting from higher average restaurant volumes.

Primarily as a result of its improved profitability, the Company's operating cash flow for fiscal 2006 increased to \$5,922,000 from \$3,066,000 for fiscal 2005 and resulted in an increase in the Company's cash balances from \$3,654,000 at the end of fiscal 2005 to \$6,415,000 at the end of fiscal 2006.

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

	Fourth Quarter Ended (unaudited)		Year Ended	
	February 26, 2006	February 27, 2005 (as restated)	February 26, 2006	February 27, 2005 (as restated)
Revenues	\$25,133,000	\$23,636,000	\$87,457,000	\$80,960,000
Cost of sales:				
Food, paper and beverage	7,819,000	7,165,000	27,146,000	25,222,000
Labor and benefits	6,958,000	6,674,000	23,186,000	22,803,000
Restaurant operating expenses	6,546,000	6,201,000	22,190,000	21,015,000
Depreciation and amortization	997,000	915,000	3,254,000	3,419,000
G&A expenses	1,441,000	1,361,000	5,133,000	4,870,000
Loss (gain) on restaurant assets	<u>2,000</u>	<u>(152,000)</u>	<u>(715,000)</u>	<u>574,000</u>
Operating income (loss)	1,370,000	1,472,000	7,263,000	3,057,000
Interest Expense:				
Bank debt and notes payable	(1,213,000)	(1,304,000)	(4,078,000)	(4,341,000)
Capital leases	(35,000)	(12,000)	(89,000)	(45,000)
Other income and expense, net	<u>91,000</u>	<u>16,000</u>	<u>154,000</u>	<u>78,000</u>
Income (loss) before income taxes	212,000	172,000	3,250,000	(1,251,000)
Income tax provision (benefit)	<u>(385,000)</u>	<u>92,000</u>	<u>(187,000)</u>	<u>890,000</u>
Net Income (loss)	<u>\$ 597,000</u>	<u>\$ 80,000</u>	<u>\$ 3,437,000</u>	<u>\$ (2,141,000)</u>
Basic net income (loss) per common share	\$ .22	\$ .02	\$ 1.26	\$ (.79)
Diluted net income (loss) per common share	\$ .21	\$ .02	\$ 1.24	\$ (.79)
Basic average number of shares outstanding	2,718,495	2,718,495	2,718,495	2,718,495
Diluted average number of shares outstanding	2,718,524	2,718,495	2,778,524	2,718,495

	February 26, 2006	February 27, 2005 (as restated)
<b>ASSETS</b>		
Current assets	\$ 8,246,000	\$ 5,223,000
Property and equipment, net	30,225,000	31,607,000
Deferred tax assets	550,000	-
Other assets	<u>11,730,000</u>	<u>11,960,000</u>
Total assets	<u>\$50,751,000</u>	<u>\$48,790,000</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Current liabilities	\$ 11,424,000	\$51,271,000
Long-term debt	37,357,000	-
Long-term capital lease obligations	1,194,000	368,000
Other long-term liabilities	1,631,000	1,725,000
Deferred tax liabilities	1,331,000	1,049,000
Total shareholder's deficiency	<u>(2,186,000)</u>	<u>(5,623,000)</u>
Total liabilities and shareholders' deficiency	<u>\$ 50,751,000</u>	<u>\$ 48,790,000</u>