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MORGAN'S FOODS ANNOUNCES SECOND QUARTER FISCAL 2007 RESULTS

Beachwood, Ohio (September 27, 2006) -- Morgan's Foods, Inc. (OTC:MRFD) (www.morgansfoods.com) announces second quarter fiscal 2007 results.

For the quarter ended August 13, 2006, the Company reported revenues of \$22,543,000, compared to revenues of \$21,558,000 for the quarter ended August 14, 2005. The revenue increase of \$985,000 in the quarter was the result of comparable restaurant revenue increases of 5.1%. Revenues for the 24 weeks ended August 13, 2006 were \$43,644,000 compared to \$42,318,000 for the 24 weeks ended August 14, 2005. The increases in comparable restaurant revenues were primarily the result of more effective product promotions by the Company's KFC and Taco Bell franchisors during the current year period.

Net income in the second quarter of fiscal 2007 was \$1,289,000 or \$.47 per share (\$.46 diluted) compared to net income of \$1,019,000 or \$.37 per share (\$.37 diluted), as restated for a change in deferred taxes, in the second quarter of fiscal 2006. The prior year quarter included \$142,000 of gain on damaged restaurant assets replaced with insurance proceeds.

The Company's operating cash flow for the first 24 weeks of fiscal 2007 was \$3,585,000 compared to \$3,918,000 in the prior year period. The decrease in operating cash flow resulted primarily from a reduction in accounts payable balances caused by a change in vendor payment terms. The Company also had capital expenditures of \$945,000 during the period for the image enhancement of three restaurants and the upgrading of various equipment. The strong cash flow in the 24 weeks increased the Company's cash balances from \$6,415,000 at February 26, 2006 to \$7,446,000 at August 13, 2006.

"We are gratified by the continuous improvement in our results since the management restructuring we undertook in late 2004 and pleased that our results so far in the fiscal third quarter which will end on November 5, 2006 continue to exceed our budgeted expectations." said Leonard R. Stein-Sapir, Chairman of the Board and Chief Executive Officer.

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>Twenty-Four Weeks Ended</u>	
	<u>August 13, 2006</u>	<u>August 14, 2005</u> (as restated)	<u>August 13, 2006</u>	<u>August 14, 2005</u> (as restated)
Revenues	\$22,543,000	\$21,558,000	\$43,644,000	\$42,318,000
Cost of sales:				
Food, paper and beverage	6,910,000	6,621,000	13,550,000	13,042,000
Labor and benefits	5,858,000	5,511,000	11,353,000	10,855,000
Restaurant operating expenses	5,582,000	5,451,000	10,793,000	10,566,000
Depreciation and amortization	722,000	762,000	1,445,000	1,512,000
General and administrative expenses	1,220,000	1,316,000	2,355,000	2,467,000
(Gain) loss on restaurant assets	<u>(20,000)</u>	<u>(142,000)</u>	<u>(26,000)</u>	<u>(397,000)</u>
Operating income	2,271,000	2,039,000	4,174,000	4,273,000
Interest expense:				
Bank debt and notes payable	(873,000)	(946,000)	(1,792,000)	(1,941,000)
Capital leases	(27,000)	(20,000)	(54,000)	(31,000)
Other income and expense, net	<u>78,000</u>	<u>11,000</u>	<u>101,000</u>	<u>40,000</u>
Income before income taxes	1,449,000	1,084,000	2,429,000	2,341,000
Provision for income taxes	<u>160,000</u>	<u>65,000</u>	<u>241,000</u>	<u>130,000</u>
Net income	<u>\$ 1,289,000</u>	<u>\$ 1,019,000</u>	<u>\$ 2,188,000</u>	<u>\$ 2,211,000</u>
Basic net income per common share	<u>\$.47</u>	<u>\$.37</u>	<u>\$.80</u>	<u>\$.81</u>
Diluted net income per common share	<u>\$.46</u>	<u>\$.37</u>	<u>\$.78</u>	<u>\$.81</u>
Basic weighted average number of shares outstanding	2,718,495	2,718,495	2,718,495	2,718,495
Diluted weighted average number of shares outstanding	2,820,397	2,725,865	2,813,593	2,724,505

	<u>August 13, 2006</u>	<u>February 26, 2006</u>
ASSETS		
Current assets	\$ 8,828,000	\$ 8,246,000
Property and equipment, net	29,778,000	30,225,000
Other assets	<u>12,201,000</u>	<u>12,280,000</u>
Total assets	<u>\$50,807,000</u>	<u>\$50,751,000</u>

LIABILITIES AND SHAREHOLDERS' EQUITY
(DEFICIENCY)

Current liabilities	\$10,814,000	\$11,548,000
Long-term debt	35,878,000	37,357,000
Long-term capital lease obligations	1,181,000	1,194,000
Other long-term liabilities	1,469,000	1,507,000
Deferred tax liabilities	1,463,000	1,331,000
Shareholders' equity (deficiency)	<u>2,000</u>	<u>(2,186,000)</u>
Total liabilities and shareholders' deficiency	<u>\$50,807,000</u>	<u>\$50,751,000</u>