

FOR IMMEDIATE RELEASE

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MORGAN'S FOODS ANNOUNCES THIRD QUARTER FISCAL 2012 RESULTS

Cleveland, Ohio (December 21, 2011) -- Morgan's Foods, Inc. (OTC:MRFD) (www.morgansfoods.com) announces third quarter fiscal 2012 results.

Revenues for the quarter ended November 6, 2011 decreased \$1,979,000 as compared to the prior year quarter, primarily as the result of the permanent closing of 15 restaurants prior to this quarter, including the 12 for which the franchise agreements were terminated, causing a reduction in revenues of approximately \$2,382,000. Also, the removal of the Taco Bell concept from two locations caused a reduction of \$91,000. These decreases were partially offset by an increase in comparable restaurant revenues of 2.5% or \$471,000 and an increase of \$24,000 due to the temporary closing of one location in the prior year quarter for image enhancement. The revenue decrease of \$6,747,000 in the thirty-six weeks ended November 6, 2011 as compared to the thirty-six weeks ended November 7, 2010 was primarily the result of the permanent closing of 16 restaurants causing a reduction in revenues of approximately \$6,512,000. Also, the removal of the Taco Bell concept from three locations caused a reduction of \$454,000, partially offset by the temporary closing of three locations this year and three last year for image enhancement resulting in an increase of \$48,000 and a comparable sales increase of 0.3% or \$171,000.

The Company recorded a net loss of \$(93,000) or \$(0.03) per share (\$0.03 diluted) for the fiscal third quarter of fiscal 2012 compared to a net loss of \$(54,000), or \$(0.02) per share (\$0.02 diluted) for the comparable prior year quarter. Our results for fiscal 2012 third quarter include a charge of \$267,000 for loss on restaurant assets, compared to \$39,000 in the third quarter of fiscal 2011. Capital expenditures in the fiscal 2012 period were \$1,439,000 compared to \$1,603,000 in fiscal 2011 as the Company completed the image enhancement of three restaurants during each of fiscal 2012 and fiscal 2011. Since its April 2011 payment, the Company has been paying "interest only" on substantially all of its debt to conserve cash and to engage in the process of restructuring its debt. As a result of this strategic default, all of the Company's debt is classified as current in the balance sheets as of November 6, 2011 and February 27, 2011. On December 9, 2011 the Company entered into a definitive Remodel Agreement with KFC Corporation and completed the refinancing of the debt which had been the subject of the strategic default through the sale/leaseback of 29 of its restaurant properties and borrowing under an \$8.25M term loan arrangement. The Remodel Agreement eliminated the Pre-negotiation Agreement dated May 19, 2011 and the 13 default notices by KFC on which further action had been delayed under the agreement.

Forward-Looking Statements

Statements in this release that are not historical in nature are forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied in this release. The forward-looking statements reflect the Company's current expectations based upon data available at the time of the statement. Such risks and uncertainties include both Company risks and uncertainties and general economic and industry risks and uncertainties. Such risks and uncertainties include, but are not limited to, the Company's debt covenant compliance, actions that lenders may take with respect to any debt covenant violations, the Company's ability to obtain waivers of any debt covenant violations or to pay all of its current and long-term obligations and those risks described in Part I Item 1A. ("Risk Factors") of the Company's Form 10-K for the fiscal year ended February 27, 2011. Economic and industry risks and uncertainties include, but are not limited to, franchisor promotions, business and economic conditions, legislation and governmental regulation, competition, success of operating initiatives and advertising and promotional efforts, volatility of commodity costs and increases in minimum wage and other operating costs, availability and cost of land and construction, consumer preferences, spending patterns and

demographic trends. The Company does not undertake any obligation to publicly update or revise any forward-looking statements to reflect future events, information or circumstances that arise after the date of this release.

Morgan's Foods, Inc. operates 57 KFC restaurants, 5 Taco Bell restaurants, 10 KFC/Taco Bell "2n1's", 3 Taco Bell/Pizza Hut Express "2n1's" and 1 KFC/A&W "2n1".

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Table attached.

MORGAN'S FOODS, INC.
SELECTED FINANCIAL INFORMATION (unaudited)

	Quarter Ended		Thirty-six Weeks Ended	
	November 6, 2011	November 7, 2010	November 6, 2011	November 7, 2010
Revenues	\$ 19,278,000	\$ 21,257,000	\$ 58,353,000	\$ 65,100,000
Cost of sales:				
Food, paper and beverage	6,285,000	6,718,000	19,386,000	20,203,000
Labor and benefits	5,540,000	6,330,000	16,768,000	18,967,000
Restaurant operating expenses	5,011,000	5,663,000	14,971,000	17,122,000
Depreciation and amortization	610,000	571,000	1,800,000	1,866,000
G&A expenses	1,259,000	1,316,000	3,732,000	3,889,000
Loss (gain) on restaurant assets	267,000	39,000	626,000	138,000
Operating income	306,000	620,000	1,070,000	2,915,000
Interest Expense:				
Prepayment and deferred financing costs	-	-	33,000	98,000
Bank debt and notes payable	440,000	516,000	1,354,000	1,611,000
Capital leases	23,000	24,000	69,000	72,000
Other income and expense, net	(141,000)	(63,000)	(137,000)	9,000
Income (loss) before income taxes	(16,000)	143,000	(249,000)	1,125,000
Income tax provision	77,000	197,000	318,000	441,000
Net Income (loss)	\$ (93,000)	\$ (54,000)	\$ (567,000)	\$ 684,000
Basic net income (loss) per common share	\$ (0.03)	\$ (0.02)	\$ (0.19)	\$ 0.23
Diluted net income (loss) per common share	\$ (0.03)	\$ (0.02)	\$ (0.19)	\$ 0.23
Basic average number of shares outstanding	2,934,995	2,934,995	2,934,995	2,934,995
Diluted average number of shares outstanding	2,934,995	2,934,995	2,934,995	3,023,611
	November 6, 2011	February 27, 2011		
ASSETS				
Current assets	\$ 5,156,000	\$ 5,796,000		
Property and equipment, net	25,984,000	27,838,000		
Other assets	343,000	410,000		
Intangibles	9,926,000	10,044,000		
Total assets	\$ 41,409,000	\$ 44,088,000		
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	\$ 33,158,000	\$ 35,566,000		
Long-term debt	-	-		
Long-term capital lease obligations	978,000	1,013,000		
Other long-term liabilities	4,405,000	4,362,000		
Deferred tax liabilities	2,800,000	2,512,000		
Total shareholder's equity	68,000	635,000		
Total liabilities and shareholders' equity	\$ 41,409,000	\$ 44,088,000		