



**NEWS FROM OVERHILL FARMS, INC.**

**For Immediate Release**

## **Overhill Farms Reports Net Income of 19 Cents Per Share on Revenues of \$56.2 Million for First Quarter**

*Net Income is Up More Than 20%*

LOS ANGELES, CA (February 4, 2010) — Overhill Farms, Inc. (NYSE-AMEX: OFI) today reported net income of \$3.1 million, or \$0.19 per basic and diluted common share, on net revenues of \$56.2 million for the first quarter of fiscal 2010, which ended December 27, 2009. This is an increase of 20.5% from the earnings of \$2.5 million or \$0.16 per basic and diluted share for the first quarter of fiscal 2009, on an increase in revenues of 1.7% from the \$55.3 million of the first quarter of fiscal 2009.

James Rudis, the Company's Chairman, President and Chief Executive Officer, said, "We are pleased to be able to report these strong results despite the continuing challenges of a difficult economic environment for our customers and our company. Thanks to improvements in our gross margin, we produced a year-over-year increase of more than 20% in net income. Compared to the immediately prior quarter, our net income increased 118% on a 16% increase in revenues."

Mr. Rudis added, "Based on our strong results, we were able to make a voluntary debt prepayment of \$5 million during the period, ending the quarter with cash of \$4.9 million. Assuming continued strong performance, our goal is to substantially pay down our remaining debt by the end of the calendar year, which would enable us to consider a number of alternatives for further enhancing stockholder value."

Mr. Rudis noted that sales to foodservice customers more than doubled from the year-earlier level, supporting the Company's belief that the foodservice sector continues to represent a significant opportunity. He said this positive outlook is supported by the initial response from major foodservice companies to the Company's alliance with J.R. Simplot Company formed during the fourth quarter of fiscal 2009, which has already resulted in interest from potential new customers.

Approximately \$1.5 million of net revenues in the first quarter of fiscal 2010 were attributable to January 2010 orders that customers placed early because the Company's facilities were closed over the Christmas and New Year holidays, which were in the first week of the second fiscal quarter.

Retail net revenues were \$35.1 million for the first quarter of fiscal 2010, a decrease of \$7.3 million or 17.3% from the \$42.5 million of the first quarter of the prior fiscal year. The decrease was primarily due to reduced volume from H. J. Heinz Company, as previously announced. The

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Company anticipates that sales to other retail customers and foodservice accounts will continue to offset reductions in sales to Heinz during fiscal and calendar 2010.

Foodservice net revenues increased by \$9.7 million, or 102.1%, to \$19.2 million for the first quarter of fiscal 2010, from \$9.5 million for the year-earlier quarter. The increase in foodservice revenues was due to higher volume from existing customers, as well as new products for existing and new accounts.

Airline net revenues decreased by \$1.4 million, or 42.4%, to \$1.9 million for the first quarter of fiscal 2010, from \$3.3 million for the first quarter of the prior fiscal year. This decline reflects continuing efforts by the airline industry to cut costs, which may cause further decreases in future periods. The airline category represented 3.4% of total net revenues for the first quarter of fiscal 2010, compared to 6% for the first quarter of the prior fiscal year. The Company continues to transition to opportunities outside of the airline category.

Gross profit as a percentage of net revenues increased to 14.0% for the first quarter of fiscal 2010, from 13.6% for the first quarter of fiscal 2009. Gross profit for the first quarter of fiscal 2010 increased by \$379,000, or 5.1% to \$7.9 million, from \$7.5 million for the first quarter of fiscal 2009. This increase was attributed to improved operating efficiencies and yields, and favorable pricing in commodity contracts, offset partially by price reductions to certain customers.

The Company also announced that it has received favorable rulings, detailed below, in previously disclosed employment-related legal actions. These actions arose out of the termination on May 31, 2009, of approximately 260 employees, following notification by the Internal Revenue Service that these employees were using invalid social security numbers.

On April 28, 2009, Local 770 of the United Food and Commercial Workers Union sought arbitration regarding the then-pending termination of these workers. On January 11, 2010, the arbitrator dismissed the Union's grievance. On January 29, 2010, the Union filed a petition to vacate the decision in the binding arbitration. The Company believes that the Union has no legitimate basis to vacate the arbitrator's decision, and intends to seek dismissal of the Union's petition and to pursue other appropriate remedies.

On June 20, 2009, the Company filed a lawsuit against Nativo Lopez and six other leaders of what the Company believes is an illegal campaign to force it to rehire the workers terminated because of their use of invalid social security numbers. The defendants attempted unsuccessfully to have the Company's action dismissed. On November 13, 2009, the court ruled that the Company had established a probability of prevailing on the merits, and had submitted substantial evidence that the defendants' accusations of racism were false, harmed the Company, and were made with malice. The Company will continue to pursue its action against the defendants.

"We are pleased that a number of issues related to the terminations are nearing resolution," Mr. Rudis said. "These matters have required use of Company resources and management time, but our actions were necessary to protect the Company's interests."

### ABOUT OVERHILL FARMS

Overhill Farms is a leading value-added supplier of custom high quality prepared frozen foods for branded retail, private label, foodservice and airline customers. Its product line includes

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entrées, plated meals, bulk-packed meal components, pastas, soups, sauces, poultry, meat and fish specialties, as well as organic and vegetarian offerings. The Company's capabilities give its customers a one-stop solution for new product development, precise replication of existing recipes, product manufacturing and packaging. Its customers include prominent nationally recognized names such as Jenny Craig, Inc., Safeway Inc., Panda Restaurant Group, Inc., H. J. Heinz Company, Pinnacle Foods Group LLC and American Airlines, Inc.

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*This news release contains disclosures that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations or beliefs and include, but are not limited to, statements about the company's operations and financial performance and condition and statements regarding expectations of continued or increased sales volumes and revenues, margins, profitability, production efficiencies and expansions, cash flows and growth, anticipated amounts and timing of growth in the company's customer base and business in the foodservice and retail market sectors, ability and desire to make further voluntary debt reductions, ability to successfully resolve outstanding legal matters. For this purpose, statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements include statements which are predictive in nature, which depend upon or refer to future events or conditions, or which include words such as "continue," "efforts," "expects," "anticipates," "intends," "plans," "believes," "estimates," "projects," "forecasts," "strategy," "will," "goal," "objective," "target," "prospects," "optimistic," "confident," "likely," "probable" or similar expressions. In addition, any statements concerning future financial performance (including future revenues, earnings or growth rates), on-going business strategies or prospects, and possible future company actions, which may be provided by management, are also forward-looking statements. We caution that these statements by their nature involve risks and uncertainties, and actual results may differ materially depending on a variety of important factors, including, among others: the impact of competitive products and pricing; fulfillment by suppliers of existing raw material contracts; market conditions that may affect the costs and/or availability of raw materials and the Company's ability to obtain favorable long-term purchase commitments for raw materials, and of fuels, energy, logistics and labor as well as the market for the company's products, including customers' ability to pay and consumer demand; changes in business environment, including actions of competitors and changes in customer preferences, as well as disruptions to customers' businesses; seasonality in the retail category; loss of key customers due to competitive environment or production being moved in-house by customers; difficulties that may be encountered in attracting and retaining new customers; natural disasters that can impact, among other things, costs of fuel and raw materials; the occurrence of acts of terrorism, or acts of war; changes in governmental laws and regulations; change in control due to takeover or other significant changes in ownership; financial viability and resulting effect on revenues and collectability of accounts receivable of customers during recessionary periods; ability to obtain additional financing as and when needed, and rising costs of credit that may be associated with new borrowings; voluntary or government-mandated food recalls; and other factors as may be discussed in the company's Annual Report on Form 10-K for the year ended September 27, 2009, and other reports filed with the Securities and Exchange Commission.*

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**OVERHILL FARMS, INC.**  
**CONDENSED SUMMARY OF OPERATIONS**

	<b>For the Quarter Ended</b>	
	<b>December 27, 2009</b>	<b>December 28, 2008</b>
Net revenues	\$ 56,232,538	\$ 55,272,029
Cost of sales	48,346,408	47,764,510
Gross profit	<u>7,886,130</u>	<u>7,507,519</u>
Selling, general and administrative expenses	<u>2,561,781</u>	<u>2,534,216</u>
Operating income	5,324,349	4,973,303
Interest expense:		
Interest expense	(331,114)	(712,584)
Amortization of debt discount and deferred financing costs	<u>(101,504)</u>	<u>(101,504)</u>
Total interest expense	<u>(432,618)</u>	<u>(814,088)</u>
Other expense	<u>(1,000)</u>	<u>–</u>
Income before income taxes	4,890,731	4,159,215
Income taxes	1,837,936	1,626,252
Net income	<u>\$ 3,052,795</u>	<u>\$ 2,532,963</u>
Net income per share:		
Basic	<u>\$ 0.19</u>	<u>\$ 0.16</u>
Diluted	<u>\$ 0.19</u>	<u>\$ 0.16</u>
Shares used in computing net income per share:		
Basic	15,823,271	15,823,271
Diluted	16,051,619	16,018,339

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