



**NEWS FROM OVERHILL FARMS, INC.**

**For Immediate Release**

## **Overhill Farms Reports Revenues of \$194.5 Million, Net Income of \$7.6 Million, For Fiscal 2010**

LOS ANGELES, CA (December 9, 2010) — Overhill Farms, Inc. (NYSE-AMEX: OFI) today reported net revenues of \$194.5 million for the fiscal year ended September 26, 2010, and net income of \$7.6 million or \$0.48 per basic and \$0.47 per diluted common share.

This compares to net revenues of \$209.9 million, and net income of \$8.3 million or \$0.52 per basic share and diluted common share, for the year ended September 27, 2009.

James Rudis, the Company's Chairman, President and Chief Executive Officer, said, "In the face of an economic climate that continued to be difficult for us and for our clients, we believe Overhill Farms performed well. We maintained our margins, significantly reduced our debt, strengthened our balance sheet, and most important, we attracted major new customers whose business should contribute significantly to revenue in fiscal 2011 and beyond."

Mr. Rudis noted that sales during the first half of the fiscal year benefitted from the rebuilding of customer inventories, in anticipation of a rebound in the economy. When the economy remained sluggish, many of the Company's customers experienced decreased sales, particularly during the fiscal third quarter of 2010. Results in the fourth fiscal quarter were also impacted by the seasonality in the retail category, as retailers typically sell fewer frozen meals during warmer months. The Company did increase its business with its foodservice accounts.

"Despite these challenges, we generated \$16.9 million in net cash from operations in fiscal 2010 and reduced our total debt by \$14.0 million," Mr. Rudis said. "Furthermore, we paid off an additional \$5.5 million on our debt after the end of fiscal 2010."

Subsequent to the close of fiscal 2010, Mr. Rudis said, the Company entered into a five-year licensing agreement with Boston Market Corporation to manufacture, distribute and sell Boston Market branded foods to retailers, beginning in mid-2011. The agreement includes options for two five-year renewal terms.

Also after the close of fiscal 2010, the Company announced that it has been selected to produce a line of private label frozen meals for a major national retailer with more than 1,000 locations across the nation. For competitive reasons, the customer has asked that its name not be disclosed.

"In addition to the new Boston Market and national retailer opportunities, the Company's pipeline of new products for both existing and potential new customers remains robust, and better than it has been in some time," Mr. Rudis said.

"These new accounts and pipeline activity are primarily the result of our strategy of investment spending during the past couple of years in plant and equipment as well as research

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## Overhill Farms – 2

and product development,” he said. “We believe these two new accounts have the potential to join the ranks of our flagship customers.”

These investments, which Mr. Rudis said reflect the Company’s confidence in the near-term outlook, included 40,000 square feet of additional freezer space and various production enhancements that enabled the Company to achieve certification under the new global Food Safety Management Systems standard FSSC 22000. Mr. Rudis noted that the Company was the first frozen food manufacturer in the United States to receive this recognition. “Based on the response we have received from major customers and potential accounts, we believe this certification can be a competitive advantage for us,” Mr. Rudis said.

Gross profit in fiscal 2010 was \$23.7 million, compared to \$25.6 million in fiscal 2009. Gross margin, or gross profit as a percentage of net revenues, was 12.2%, unchanged from fiscal 2009. The Company was able to maintain gross margins by increased efficiencies and yields and favorable commodity prices, which offset the increased investment spending noted above.

During fiscal 2010 the Company obtained a \$30 million three-year senior secured credit facility from Bank of America, N.A. “This new credit line has reduced our interest expense and provides us with additional resources to support our growth,” Mr. Rudis said. He noted that the new facility allows the Company to pursue acquisitions and other transactions, such as stock buybacks or dividends, without further lender approval. Additionally, the Company is pre-approved for an additional \$20 million increase in the credit line, subject to certain pre-negotiated conditions, for more significant transactions.

Retail net revenues were \$128.0 million for fiscal 2010, a decrease of \$18.4 million or 12.6% from the \$146.4 million of fiscal 2009. The decrease in retail net revenues was largely due to the previously disclosed reduced volume from H. J. Heinz Company. The retail category accounted for 65.8% of the Company’s net revenues, compared to 69.7% for the prior fiscal year.

Foodservice net revenues for fiscal 2010 increased by \$6.2 million, or 11.9%, to \$58.5 million from the \$52.3 million of fiscal 2009, due primarily to the introduction of new products and increased volume from an existing customer. Foodservice revenues increased to 30.1% of fiscal 2010 net revenues, from 24.9% the prior fiscal year.

“We continue to increase our sales efforts in both the retail and foodservice categories, and believe that both represent significant opportunities for us in 2011 and beyond,” Mr. Rudis said.

Airline net revenues decreased by \$3.1 million, or 27.9%, to \$8.0 million for fiscal 2010, from the \$11.1 million of fiscal 2009. Due to consolidation of airlines combined with continued efforts in the airline industry to cut costs, airline net revenues may continue to decrease in future periods. Airline net revenues decreased to 4.1% of total net revenues in fiscal 2010 from 5.3% the prior fiscal year as the Company continues its transition to opportunities outside of this category.

For the fourth quarter of fiscal 2010, the Company reported net revenues of \$44.4 million, compared to \$48.5 million for the same quarter in fiscal 2009. Net income for the fourth quarter of fiscal 2010 was \$1.2 million, or \$0.08 per basic and diluted common share, compared to \$1.4 million, or \$0.09 per basic and diluted common share for the fourth quarter of fiscal 2009.

“We experienced reduced sales in the fourth quarter as customers decreased their purchases, as well as due to seasonal volume reductions. This resulted in pressure on our margins as we

## Overhill Farms – 3

allocated our overhead costs over less volume,” Mr. Rudis said. “However, we believe that, as the economy improves, sales to our existing customers will return to historical levels. This, along with sales to new accounts, should result in improved margins.”

### CONFERENCE CALL

Overhill Farms will host a conference call on December 10, 2010, at 8:30 a.m. PST (11:30 a.m. EST). Shareholders and investment professionals can participate by dialing 877-407-9210. A webcast of accompanying slides is at <http://tinyurl.com/2b2n3mc>.

### ABOUT OVERHILL FARMS

Overhill Farms, Inc. ([www.OverhillFarms.com](http://www.OverhillFarms.com)) is a value-added supplier of custom high quality prepared frozen foods for branded retail, private label foodservice and airline customers. Its product line includes 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., 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, revenue growth from new customers, competitive advantages of certification, availability of capital for growth, ability to mitigate margin pressures, and ability and desire to make further voluntary debt reductions. 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,” “target,” “prospects,” “optimistic,” “confident,” “likely,” “probable,” “should,” “growth,” “opportunities” 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; certifications obtained by competitors; seasonality in the retail category; loss of key customers due to competitive environment or production being moved in-house by customers; natural disasters that can impact, among other things, costs of fuel and raw materials; the occurrence of acts of terrorism, such as the events of September 11, 2001, 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 deep recessionary periods; ability to obtain additional*

## Overhill Farms – 4

*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 26, 2010, and other reports filed with the Securities and Exchange Commission.*

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### **Contacts:**

James Rudis, Chairman, President and CEO  
Overhill Farms, Inc.  
323-582-9977

Alexander Auerbach  
Auerbach & Co. Public Relations  
1-800-871-2583  
auerbach@aapr.com

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

	<b>For the Fiscal Year Ended</b>	
	<b>September 26, 2010</b>	<b>September 27, 2009</b>
Net revenues	\$ 194,481,635	\$ 209,877,039
Cost of sales	<u>170,825,958</u>	<u>184,326,050</u>
Gross profit	23,655,677	25,550,989
Selling, general and administrative expenses	<u>9,730,674</u>	<u>9,971,692</u>
Operating income	13,925,003	15,579,297
Total interest expense	(1,663,857)	(2,279,590)
Other expense	<u>(3,991)</u>	<u>-</u>
Income before income tax expense	12,257,155	13,299,707
Income tax expense	<u>4,682,621</u>	<u>4,998,495</u>
Net income	<u><u>7,574,534</u></u>	<u><u>8,301,212</u></u>
Net income per share – basic	<u>\$ 0.48</u>	<u>\$ 0.52</u>
Net income per share – diluted	<u>\$ 0.47</u>	<u>\$ 0.52</u>
Shares used in computing net income per share, basic	15,823,271	15,823,271
Weighted average shares outstanding	16,049,587	16,028,698

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

	<b>For the Three Months Ended</b>	
	<b>September 26, 2010</b>	<b>September 27, 2009</b>
Net revenues	\$44,429,117	\$ 48,520,549
Cost of sales	39,791,422	43,630,746
Gross profit	4,637,695	4,889,803
Selling, general and administrative expenses	1,971,830	2,470,414
Operating income	2,665,865	2,419,389
Total interest expense	(573,539)	(448,421)
Other income	9	-
Income before income tax expense	2,092,335	1,970,968
Income tax expense	861,555	568,958
Net income	1,230,780	1,402,010
Net income per share – basic	\$0.08	\$ 0.09
Net income per share – diluted	\$0.08	\$ 0.09
Shares used in computing net income per share, basic	15,823,271	15,823,271
Weighted average shares outstanding	16,039,248	16,051,546

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