

GALAXY NUTRITIONAL FOODS, INC.
STATEMENTS OF OPERATIONS

Years ended March 31,	<u>2002</u>	<u>2001</u>	<u>2000</u>
NET SALES	\$ 43,581,016	\$ 45,421,863	\$ 42,115,672
COST OF GOODS SOLD	35,276,362	32,841,748	27,233,736
Gross margin	<u>8,304,654</u>	<u>12,580,115</u>	<u>14,881,936</u>
OPERATING EXPENSES:			
Selling	9,227,869	9,286,908	6,028,130
Delivery	2,475,989	2,454,616	2,215,903
Non-cash compensation related to options & warrants	2,373,662	1,116,444	18,583
General and administrative	5,348,513	3,323,435	3,221,436
Research and development	261,972	265,949	226,436
Total operating expenses	<u>19,688,005</u>	<u>16,447,352</u>	<u>11,710,488</u>
INCOME (LOSS) FROM OPERATIONS	(11,383,351)	(3,867,237)	3,171,448
OTHER INCOME (EXPENSE):			
Interest expense, net	(3,594,091)	(2,047,097)	(744,498)
Loss on disposal of assets	(464,190)		
Other	(57,520)	(25,000)	(6,390)
Total	<u>(4,115,801)</u>	<u>(2,072,097)</u>	<u>(750,888)</u>
INCOME (LOSS) BEFORE INCOME TAXES	(15,499,152)	(5,939,334)	2,420,560
INCOME TAX BENEFIT (EXPENSE)	(1,560,000)	240,000	1,209,331
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING POLICY	(17,059,152)	(5,699,334)	3,629,891
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING POLICY	<u>--</u>	<u>(786,429)</u>	<u>--</u>
NET INCOME (LOSS)	(17,059,152)	(6,485,763)	3,629,891
PREFERRED STOCK DIVIDENDS	<u>2,088,843</u>	<u>--</u>	<u>--</u>
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ (19,147,995)</u>	<u>\$ (6,485,763)</u>	<u>\$ 3,629,891</u>
BASIC NET INCOME (LOSS) PER COMMON SHARE BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING POLICY	\$ (1.81)	\$ (0.61)	\$ 0.40
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING POLICY	<u>--</u>	<u>(0.08)</u>	<u>--</u>
NET INCOME (LOSS)	<u>\$ (1.81)</u>	<u>\$ (0.69)</u>	<u>\$ 0.40</u>
DILUTED NET INCOME (LOSS) PER COMMON SHARE BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING POLICY	\$ (1.81)	\$ (0.61)	\$ 0.39

**CUMULATIVE EFFECT OF CHANGE IN
ACCOUNTING POLICY**

	<u> -- </u>	<u> (0.08) </u>	<u> -- </u>
NET INCOME (LOSS)	<u>\$ (1.81) </u>	<u>\$ (0.69) </u>	<u>\$ 0.39 </u>