

GALAXY NUTRITIONAL FOODS, INC.
STATEMENTS OF OPERATIONS

Three Months Ended June 30,	<u>2002</u>	<u>2001</u>
NET SALES	\$ 10,046,398	\$ 11,801,669
COST OF GOODS SOLD	7,236,504	8,621,936
Gross margin	<u>2,809,894</u>	<u>3,179,733</u>
OPERATING EXPENSES:		
Selling	1,058,331	1,620,485
Delivery	571,562	642,259
Non-cash compensation related to options & warrants	(1,637,261)	1,577,629
General and administrative	841,506	820,547
Research and development	<u>57,774</u>	<u>53,316</u>
Total operating expenses	<u>891,912</u>	<u>4,714,236</u>
INCOME (LOSS) FROM OPERATIONS	1,917,982	(1,534,503)
Interest expense	<u>898,472</u>	<u>707,268</u>
NET INCOME (LOSS)	\$ 1,019,510	\$ (2,241,771)
PREFERRED STOCK DIVIDENDS	<u>247,585</u>	<u>325,014</u>
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	\$ <u>771,925</u>	\$ <u>(2,566,785)</u>
BASIC NET INCOME (LOSS) PER COMMON SHARE	\$ <u>0.07</u>	\$ <u>(0.26)</u>
DILUTED NET INCOME (LOSS) PER COMMON SHARE	\$ <u>0.06</u>	\$ <u>(0.26)</u>