



QUARTERLY INSIGHT

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1ST QUARTER ENDING
JUNE 30, 2003

Charles L. Jarvie, *Chairman of the Board*
Angelo S. Morini, *Vice-Chairman, Founder & President*
Christopher J. New, *Chief Executive Officer*
Salvatore J. Furnari, *Chief Financial Officer*

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FISCAL 2003 RESULTS...

For our fiscal year ending March 31, 2003, we reported a major turnaround in operating cash flow, gross margin, operating profits and EBITDA versus our prior year. Highlights of the year's financial results include:

- Net cash flow provided by operations was \$1.2M versus (\$3.7M) used in operations the prior year.
- Operating income of \$4.1M was 10.2% of net sales versus an operating loss (\$11.4M) or (26.5%) of net sales last year.
- Net income was \$1M compared to a net loss of (\$17.1M) in the prior year.
- Gross margin of 30% was a significant improvement over gross margin of 18% for the prior year.
- EBITDA for the year was \$6.2M or 15.6% of net sales versus an EBITDA of (\$9.5M) or (22.2%) of net sales in the prior year.

For our complete year-end results, please visit our website at galaxyfoods.com to review our 10-K report as filed with the Securities and Exchange Commission.

FROMAGERIES BEL BECOMES A STRATEGIC PARTNER...

We announced on June 2, 2003 a master distribution and licensing agreement with Fromageries Bel, the number one branded cheese company in Europe. Bel is the leading producer of more than twenty international and domestic brands of cheeses including Mini Babybel, The Laughing Cow, Kaukauna, Bonbel, Kiri, Port-Salut, Sylphide, and the recently acquired Leerdammer. Fromageries Bel operates twenty-two production plants throughout the world and produces 235,000 tons of branded cheese.

Through this distribution agreement, Fromageries Bel has the exclusive rights to distribute certain Galaxy products to the fifteen European Union States and to more than

twenty-one other European countries and territories. We will share key learnings and strategies with Bel.

GALAXY COMPLETES FINANCIAL RESTRUCTURING...

On June 2, 2003, we made two other press announcements which will also have a positive impact on our business. They are as follows:

TEXTRON FINANCIAL

SouthTrust

- Textron Financial Corporation (TFC) has replaced Finova Capital Corporation as Galaxy's asset-based lender. The new revolving line of credit from TFC has a maximum facility amount of \$7.5 million and an interest rate that is 2.25% lower than the rate previously charged by Finova Capital Corporation. The Company will benefit from improved cash availability based on the higher advance rates on eligible accounts receivable as well as on eligible raw materials and finished goods inventory.
- We also raised \$3.85 million through private placements of Galaxy common stock to several investors including Fromageries Bel, a leading international dairy company; Fred DeLuca, the founder of Subway®; Apollo Capital Management Group, LP and Apollo MicroCap Partners, LP, investment funds based in St. Petersburg, Florida; David Lipka, a director of Galaxy; and John Ruggieri, Galaxy's Vice President of Manufacturing. \$2 million of the proceeds from these transactions were used to repay one-half of the \$4 million subordinated debt with Finova Mezzanine Capital Inc. (FMC).
- SouthTrust Bank increased its lending position in Galaxy with a new \$2 million loan. These funds were used to repay the balance of Galaxy's \$4 million subordinated debt with FMC. The new \$2 million loan was consolidated with the Company's previously outstanding \$8.1 million equipment loan. The new consolidated \$10.1 million loan extends the maturity date on the original loan from March 2005 to June 2009 with a more favorable amortization.

This is not a solicitation to buy or sell Galaxy securities and does not purport to be a complete analysis of Galaxy's financial position.



GALAXY WELCOMES PATRICE VIDELIER TO ITS BOARD...

Galaxy's Board recently approved the appointment of Patrice Videlier as a director of the company. Patrice is the Senior Vice President of Marketing for Fromageries

Bel and has held various executive positions with Bel since joining them in 1990. Prior to joining Bel, he spent twenty years with the Unilever Company. Galaxy's Board is now comprised of eight directors - six outside directors and two employees.

WE'RE GLAD THEY LIKE IT HERE!!!

Congratulations to Tom Perno (right photo), our Director of Operations and to Dan Kreitzer (left photo), our Director of Engineering who celebrated their 20th anniversary with Galaxy last month. As young men, they both quickly worked their way up the ranks to the management level and have been very instrumental in our success. Both Tom and Dan uprooted their families and moved with the company to Orlando in 1991 after the Company relocated its operations from western Pennsylvania. We are very glad they did and feel very fortunate to have two such dedicated, loyal and indispensable associates. Silver anniversaries are right around the corner! We have several other Galaxy associates who are in double digits for their length of service and we want to take this opportunity to let all of you know how much we appreciate you.



SALES AND PRODUCTION UPDATES...

In our March 31, 2003 Quarterly Insight, we reported that Galaxy will be providing SYSCO (the nation's largest foodservice distributor) a variety of its smart choice cheese products for its new Moonrose Vegetarian line of products. Galaxy's acceptance into this exciting program was pending based on approval of our plant operations. We are happy to report that we received this approval by successfully completing a food safety and quality system audit by SYSCO. Next steps are now underway with Scott Desing, our foodservice manager, working with the Moonrose staff on joint marketing and sales efforts.

These past two months, our plant has undergone rigorous inspections by governmental agencies as well as vendor approval inspections by several new customers. We are pleased to report that we passed every safety and quality audit successfully. In fact, an inspector sent by a national restaurant chain recommended that Galaxy's safety and quality systems be used as a resource model for other suppliers. Congratulations to John Ruggieri, our Vice President of Manufacturing and his entire production and quality team for a job well done.

Bob Peterson (pictured right), our Northeast Regional Sales Manager, continues his Veggie onslaught adding 5 new Veggie® products to approximately 200 A&P stores in metro New York; 3 new Veggie® products to Stop 'N Shop with approximately 300 stores in the New York and New England areas; and, 3 new Veggie® products to Wakefern, also with 200 stores around metro New York. Bob's making sure our top selling products are "available and visible" in his territory. Our "availability and visibility" mantra is a key initiative of our Fiscal 2004 growth plan.



GALAXY SIGNS AUSSIE TENNIS GREAT TODD WOODBRIDGE

Todd Woodbridge (pictured to the far right), 20-time Grand Slam Doubles Champ, has agreed to a long-term contract endorsing our Veggie® brand dairy alternative products in Australia. This endorsement will include several in-store personal appearances by Mr. Woodbridge, his picture on point-of-sale-materials, and the wearing of a Veggie® logo patch on his tennis shirt.



Over his more than decade-long impressive career, Todd Woodbridge has become a legend in Australian sports winning Olympic Gold and Silver and posting many Davis Cup victories for his country. He was also awarded the Medal of the Order of Australia. As part of the famous doubles team affectionately known as "the Woodies", Todd, and his partner Mark Woodforde, hold the record for the most titles won in professional tennis with 61. These titles include 12 Grand Slam titles - 7 Wimbledon titles, 2 U.S. Opens, 2 Australian Opens, and 1 French Open.

On July 5, 2003, Todd Woodbridge and his partner Jonas Bjorkman won the Gentlemen's Doubles Championship at Wimbledon. With this win, Todd tied a century old Wimbledon doubles record and is within 3 wins of tying the record for most doubles wins in tennis history. Congratulations Todd!

Galaxy's products have been received with much enthusiasm since entering the Australian market this past year. It is no wonder when you consider that Australians are ranked number two in the world in life expectancy and their healthy eating habits include eating many organic and natural foods. We expect that having Todd's endorsement in Australia where he has achieved star status will bring great recognition to our Veggie® product line. Todd's fit, healthy, and professional image is perfect for our products and his name and sport have an identity and appeal to many age groups.

QUARTERLY QUOTE...

"I have learned that success is to be measured not so much by the position that one has reached in life as by the obstacles which he has overcome while trying to succeed. - Booker T. Washington