

**P R E S S R E L E A S E**

Press Page

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Orlando, FL

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ORLANDO, FLORIDA (August 7, 2000) - Galaxy Foods Company (AMEX:GXY)

GALAXY FOODS REPORTS FIRST QUARTER 2001 OPERATING RESULTS

ORLANDO, Florida (August 7, 2000) – Galaxy Foods Company (AMEX: GXY), a leading producer of nutritional, health-promoting dairy and dairy related alternatives for the retail, foodservice and industrial markets, today announced financial results for its fiscal 2001 first quarter ended June 30, 2000.

For the three months ended June 30, 2000, net sales increased 8% to \$11.3 million, versus \$10.4 million in the comparable period of the prior year. Net income for the first quarter of fiscal 2001 increased to \$0.7 million, or \$0.07 per diluted share, from \$0.6 million, or \$0.07 per diluted share in the fiscal 2000 first quarter. A \$0.2 million deferred tax benefit, derived from net operating losses incurred in past years, was recorded during the fiscal 2000 three-month period.

Commenting on the results, Chief Financial Officer Keith Ewing stated, “First quarter results reflect several long-term growth initiatives. We eliminated about \$1.3 million in private label sales in the first quarter to allow us to meet demand for our higher margin Veggie and Soyco products. Our margins were down this quarter primarily due to an increase in production staff and the ongoing construction of our new manufacturing lines. Additionally, we increased our marketing budget in line with our strategy of bolstering brand recognition and expanding product distribution.”

President, Chairman and Chief Executive Officer Angelo Morini commented, “Several of our new product initiatives and strategic partnerships gained momentum in the first quarter, as testing of our Tropicana Ultra Smoothie product began and marketing of our Veggie Milk Bars got under way. Additionally, in line with our corporate goal of 20 SKUs in 20,000 retail outlets worldwide, we have increased our marketing efforts throughout the United States. Soon, we will have the strategic initiatives and the manufacturing equipment in place for continued growth in the expanding healthy foods marketplace.”

About Galaxy Foods

Galaxy Foods Company is a leading producer of health-promoting dairy and dairy related alternatives for the retail, foodservice and industrial markets. The Company’s plant-based products are low or no fat (no saturated fat), have no cholesterol and no lactose and contain more vitamins and minerals than conventional dairy products. Galaxy products, available at health food stores and grocers, are part of the nutritional or functional food category, the fastest growing segment of the retail food market. Galaxy brand names include Veggie Milk™, Veggie Slices™, formägg®, Soyco®, Soymage®, Wholesome Valley™, and Lite Bakery®. For more information, please visit the Company’s Web site at www.galaxyfoods.com.

This press release contains “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties, or other factors which may cause actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on those forward-looking statements which speak only as of the date hereof. The company undertakes no obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect unanticipated events or developments.

Galaxy Foods Company

Summary Balance Sheet

June 30, 2000

(in thousands)

Current assets	\$ 23,382
Total assets	\$ 43,264
Current liabilities	\$ 15,035
Long-term debt	<u>10,069</u>
Total liabilities	\$ 25,104
Stockholders' equity	\$ 18,160

GALAXY FOODS COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share data)

Three Months Ended

June 30,

(unaudited)

	2000	1999
Net Sales	\$ 11,256	\$ 10,381

Cost of Goods Sold	7,208	6,591
Gross Margin	<u>4,049</u>	<u>3,790</u>
Operating expenses:		
Selling	1,913	1,746
Delivery	651	442
General and administrative	714	852
Research and development	57	42
Total operating expenses	<u>3,335</u>	<u>3,081</u>
Income from operations	<u>713</u>	<u>709</u>
Other income (expense):		
Interest expense	(263)	(79)
Other income (expense)	(1)	1
Total	<u>(264)</u>	<u>(78)</u>
Net income	<u>\$ 449</u>	<u>\$ 631</u>
Income tax benefit (expense)	<u>240</u>	<u>(15)</u>
Net income applicable to common stock	<u>\$ 689</u>	<u>\$ 616</u>
Basic net earnings per common share	<u>\$ 0.08</u>	<u>\$ 0.07</u>
Diluted net earnings per common share	<u>\$ 0.07</u>	<u>\$ 0.07</u>