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JOHN HANCOCK SMALL CAP VALUE FUND INCREASES OWNERSHIP IN GALAXY NUTRITIONAL FOODS

ORLANDO, Florida (October 1, 2001) - Galaxy Nutritional Foods (AMEX: GXY), a leading producer of nutritious plant-based dairy alternatives for the retail and foodservice markets, announced the completion of a private placement of common stock for an aggregate amount of \$3 million. In a transaction which closed Tuesday, the John Hancock Small Cap Value Fund purchased 522,648 shares of common stock at \$5.74 per share and received warrants to purchase an additional 140,000 shares of the Company's common stock at a purchase price of \$6.74 per share during the exercise period of September 25, 2001 to September 25, 2006. These shares are in addition to 1,009,490 shares of the Company's common stock previously purchased by John Hancock Advisers Inc. The proceeds from the transaction will be used for general corporate purposes.

The common stock has not been registered under the Securities Act of 1933, as amended, or state securities laws and may not be offered or sold in the United States absent registration with the Securities and Exchange Commission (SEC) under the Securities Act of 1933, as amended, or an applicable exception therefrom. The Company has agreed to file a registration statement for the shares within 30 days following the closing. This registration statement will also include the common stock into which the Series A Preferred Stock of the Company is convertible. In order to gain the required approval for this transaction from the holders of the Company's outstanding Series A Preferred Stock, the Company issued 60,000 shares of its common stock to such Series A Preferred Stock holders at a per share purchase price of \$.01.

Galaxy Chairman, Angelo S. Morini, stated, "Naturally, we are very excited that John Hancock has increased its position in our Company. The fact that they continue to recognize Galaxy's sales and earnings potential and believe in our products and mission will hopefully give our shareholders and customers a high comfort level with regard to our future promise. We thank the managers of the John Hancock Small Cap Value fund for their support."

About Galaxy Nutritional Foods, Inc.

Galaxy Nutritional Foods is the leading producer of health-promoting plant-based dairy and dairy-related alternatives for the retail and foodservice markets. These phytonutrient- enriched products, made from nature's best grains - soy, rice and oats - are low and no fat (no saturated fat and no trans-fatty acids), have no cholesterol, no lactose, are growth hormone and antibiotic free and have more calcium, vitamins and minerals than conventional dairy products. Because they are made with plant proteins, they are more environmentally friendly and economically efficient than dairy products derived solely from animal proteins. Galaxy's products are part of the nutritional or functional foods category, the fastest growing segment of the retail food

market. Galaxy brand names include: Veggie™, Nature's Alternative, Galaxy™, Soyco™, Soymage™, Wholesome Valley™, formägg®, Lite Bakery®, Veggie Café™ and Veggie Lite Bakery™. For more information, please visit Galaxy's website 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.