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GALAXY NUTRITIONAL FOODS REPORTS
FIRST QUARTER 2003 EARNINGS PER SHARE OF \$0.06

Successful Operating Turnaround Delivers Positive Operating Margins and Over \$1 Million in Operating Cash Flow

ORLANDO, Florida (August 7, 2002) - Galaxy Nutritional Foods (AMEX: GXY), a leading producer of nutritious plant-based dairy alternatives for the retail and foodservice markets, today reported results of its first fiscal quarter of 2003, ended June 30, 2002. The Company reported fully diluted earnings per share of \$0.06 compared to a diluted loss per share of \$(0.26) for the first quarter of 2002, ended June 30, 2001.

For its first quarter ended June 30, 2002, the Company reported net income available to common shareholders, after preferred stock dividends, of \$771,925, or \$0.06 per diluted share, compared to a net loss of \$(2,566,785), or \$(0.26) per diluted share, for the same period one year-ago. Operating income for the first quarter of fiscal 2003 was \$1,917,982 versus an operating loss of \$(1,534,503) for the first quarter last year. Approximately \$1.6 million of the \$1.9 million net operating profit was income from a non-cash benefit related to stock options and warrants.

Gross margin in the first quarter ended June 30, 2002 was up to 28 percent, a significant increase as compared with 19 percent for the fiscal year ended March 31, 2002. EBITDA for the first fiscal quarter 2003 was \$670,454, or 6.7 percent, excluding \$179,037 related to collection of doubtful accounts and the aforementioned \$1.6 million non-cash benefit related to stock options and warrants. Comparatively, EBITDA for the first fiscal quarter 2002 was \$498,673, or 4.2 percent, excluding approximately \$1.6 million non-cash expense related to stock options and warrants. This represents an increase of approximately \$171,781 or 34 percent.

Net sales for the first fiscal quarter 2003 were \$10,046,398 compared to net sales of \$11,801,669 for the three months ended June 30, 2001, a decrease of 15 percent. Although the sales in the first quarter of fiscal 2003 decreased from the first quarter of fiscal 2002, the sales remained at approximately the same level as the fourth quarter of 2002 and were in line with Galaxy's overall expectations given the Company's near term objectives for improving the operating profitability of the business and creating a more efficient organization

to more effectively manage the potential growth from existing and future contracts.

Angelo S. Morini, Chairman, Chief Executive Officer and President of Galaxy, stated, "As I reported in our year-end press release on July 2, 2002, we indicated that the first quarter would mark the earnings and operating profitability turnaround for Galaxy due primarily to increased efficiencies, a streamlining of operations, a strengthening of internal controls and a stabilization of raw material costs. We also expect that these internal efficiencies and control measures, which have already delivered positive operating margins and operating cash flow in excess of \$1 million for the quarter, will continue to positively impact our gross margin, operating profit, cash flow and EBITDA for the subsequent quarters of fiscal 2003. The flat sales level for the quarter, which was in line with our expectations, remains a result of past shipping difficulties and our emphasis on creating a more efficient operation, both of which have been previously detailed in prior earnings releases during fiscal 2002. Moving forward and based upon contracts currently in place, sales are expected to improve during fiscal 2003 with the greatest sales improvement expected in our fiscal third and fourth quarters."

Mr. Morini concluded, "During fiscal 2000 and fiscal 1999, when we experienced a profitable average sales growth rate of over 40 percent, we initiated a program to significantly increase our production capacity. The investment of approximately \$12 million in new production equipment now gives Galaxy the ability to sustain major growth for many years to come by providing us with the capacity to produce \$1 billion in product sales. This new equipment also gives us the ability to take on major customers who look for suppliers with the ability to grow with them in the future. We are most excited to have completed this program. The improved efficiency from the superbly integrated engineering of this new equipment with our previously existing lines, along with a significant reduction in selling expenses were the primary reasons why we are able to report an operating profit this quarter. As we continue to improve cash flow from operations with the help of increased efficiencies, we anticipate sales growth will also steadily improve. Now, all that remains is to complete our financial restructuring, which we expect to finish within the current fiscal year. This restructuring should enable Galaxy to return to its rapid sales growth patterns of the past by shipping all orders in full, growing our existing core business and introducing new products and concepts."

ABOUT GALAXY NUTRITIONAL FOODS

Galaxy Nutritional Foods® is the leading producer of health-promoting plant-based dairy and dairy-related alternatives for the retail and foodservice markets. An exclusive, new and technologically advanced, safer "hot process" is used to produce these phytonutrient-enriched products, made from nature's best grains - soy, rice and oats. Veggie products are low fat and fat free (saturated fat and trans-fatty acid free), cholesterol and lactose free, are growth hormone and antibiotic free, and have more calcium, vitamins and other minerals than conventional dairy products. Because they are made with plant proteins, the products are more environmentally friendly and economically efficient than dairy products derived solely from animal proteins. Galaxy's products are part of the healthy and natural foods category, the fastest growing segment of the retail food market. Galaxy brand names include: Galaxy Nutritional Foods®; Veggie®; Nature's Alternative™; Veggie Lite Bakery™; Veggie Café; Soyco®; Soyimage®; Wholesome Valley®; Lite Bakery®; and formägg®. 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.

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