



For Immediate Release:

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**GALAXY NUTRITIONAL FOODS ISSUES
STATEMENT REGARDING CLARIFICATION OF LOAN COMPLIANCE**

ORLANDO, Florida (February 17, 2004) Galaxy Nutritional Foods, Inc. (**AMEX:GXY**), a leading producer of nutritious plant-based dairy alternatives for the retail and foodservice markets, today issued a statement regarding clarification of a response to an investor during yesterday's conference call while discussing the results for its third quarter of fiscal 2004, ended December 31, 2003.

Salvatore J. Furnari, Galaxy's Chief Financial Officer, stated, "I would like to clarify a statement which I made during yesterday's conference call in response to a question from one of our investors. The question related to the current status of our loan covenants due to our sales being down versus our original forecast. I stated that we currently had no violations or waivers with our lenders that needed to be addressed. However, to clarify that point, we did have a need to amend the underlying loan covenants with both Southtrust Bank and Textron Financial Corp. due to the new line item "Employment Contract Expense" appearing on our third quarter financial statements. Since this line item wasn't anticipated when we finalized the loan documents last May, the underlying loan covenants did not specifically address the impact of this item when calculating any required ratios. Prior to the call, the lenders had assured me that, effective as of December 31, 2003, they would amend the underlying loan covenants so that the Company would be in compliance. I therefore stated that we were currently in compliance with our loan covenants. Upon reflection, I should have expanded my answer to the question from the investor to specifically address this loan covenant issue. We now have written confirmation from the lenders that they will amend the underlying loan covenants accordingly effective December 31, 2003 and therefore the Company will not be in violation of any loan covenants as of that date. Our lenders are currently preparing the necessary amendments. "

About Galaxy Nutritional Foods, Inc.

Galaxy Nutritional Foods is the leading producer of great-tasting, 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: Galaxy Nutritional Foods®, Veggie®, Veggie Nature's Alternative to Milk®, Veggie Slices®, Soyco®, Soymage®, Wholesome Valley®, formägg®, and Lite Bakery®. For more information, please visit Galaxy's website at www.galaxyfoods.com.

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