



QUARTERLY INSIGHT

PRSR STD
U S POSTAGE
PAID
ORLANDO FL
PERMIT NO. 2748

4TH QUARTER ENDING
MARCH 31, 2004

David H. Lipka *Chairman of the Board*
Christopher J. New, *Chief Executive Officer*
Salvatore J. Furnari, *Chief Financial Officer*

Galaxy Nutritional Foods Investor Relations Contact:
Dawn Robért (407) 854-0433; Fax: (407) 855-1099
e-mail: drobert@galaxyfoods.com
Website: www.galaxyfoods.com

To:

2441 VISCOUNT ROW, ORLANDO, FL 32809 • 407-855-5500 • AMEX:GXY



GALAXY RATED SUPERIOR

On January 15, 2004, Galaxy Nutritional Foods achieved the highest rating for the American Institute of Bakers (AIB) Food Safety inspection. Based on AIB's most recent audit, Galaxy's rating increased from excellent to superior.

The food safety audit consists of the following categories:

- ★ Adequacy of food safety program;
- ★ Pest control;
- ★ Operational methods and personnel practices;
- ★ Maintenance for food safety;
- ★ Cleaning practices.

This audit is important for Galaxy's packaged foods and food service business because the rating is issued from a credible and respected outside source that verifies our first-rate manufacturing and operational abilities.

Congratulations to our entire manufacturing and quality assurance team for a job well done!



market. Comparatively, the markets that did not contain a consumer overlay were not as strong.

With this data, our lead market test will be significantly expanded in the fiscal year 2005 marketing plan. The focus of our consumer advertising plan will be "superior nutrition that tastes great." National print, television and account level co-op programs will supplement the marketing plan in order to increase awareness, gain trial and deliver repeat use among our consumer base.



CHAIRMAN'S COMMENTARY

As we continue along our path of attaining growth in the sales arena, Galaxy's management team has focused its efforts on some key overarching strategies for the future. Most importantly, we have made a strategic shift in the market place and are using proven sales tools in our

consumer marketing programs, new points of distribution, restaging for our core brands and clearly defining new product development programs.

Moreover, the "Anti-Obesity" theme remains center to our competitive strategy. We are continuing to create competitive strengths through improved product quality.

Galaxy's collaborative effort with our international business partner, Fromageries-Bel, has been key in refining our product quality as well as new product development. Financially, I am pleased with Galaxy's continual strides in generating positive operating cash flow while concentrating on top line sales, margins and net income. We are positioned for growth in fiscal year 2005!

CONSUMER FOCUS...

Galaxy's consumer marketing test, that took place in a key marketing region over the past six months, reaffirmed our direction to focus attention and marketing dollars toward unmet consumer wants and needs.



IRI data indicated a favorable increase in baseline sales due to consumer marketing in our lead

MARKETING MATERIALS - LOW CARB

Carb conscious, protein seeking consumers are growing in large numbers. Although many consumers do not consider themselves on a low carb diet, many are looking for ways to cut carbs from their eating habits. Galaxy's marketing team has



developed low carb advertisements and point of purchase (POP) materials to capture the attention of consumers shopping for low carb products. Veggie, Soyco and Wholesome Valley packages will now display the amount of total carbohydrate and protein per serving. Not only are Galaxy's products delicious, but they are also a perfect addition to any diet!

WHOLESOME VALLEY LINE EXTENSION...

According to SPINS (SPence INformation Services which offers syndicated scanner consumption data for the natural products trade), the sales of packaged organic cheese were up 25% in 2003 when compared to 2002 sales. At the 2004 Natural Products Expo West, Galaxy Nutritional Foods unveiled its six Wholesome Valley Organic cheese products, which include 4 new SKU's comprising Organic Cheddar Shreds; Organic Mozzarella Shreds; Organic Cheddar Chunks; and Organic Mozzarella Chunks. The new products are additions to the Wholesome Valley Organic family that already includes American and Mozzarella individually wrapped slices.



ABOUT EXPO WEST...

Natural Products Expo West is the largest natural products tradeshow in North America. The 23rd annual Natural Products Expo West took place in Anaheim, CA March 4 - 7. More than 2,500 exhibitors and 36,000 attendees from 86 countries attended the tradeshow.



LABOR STRIKE

March 2, 2004 marked the end to a 19-week strike and lockout, which affected 59,000 supermarket workers in Central and Southern California. The effects of the strike were felt around the nation with at least \$1.5 billion in lost sales. Galaxy is currently focusing on re-establishing our pre-strike sales levels.



ROBIN WILKINSON

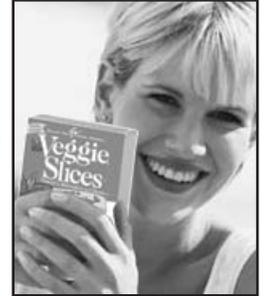
In support of our growth initiatives for FY 2005, organizational realignment has been necessary. A significant move that will enable our company to

strengthen our retail execution is the appointment of Robin Wilkinson to Director of Business Development and Grocery Sales. Previously, Robin was Galaxy's Southern U.S. sales manager. Robin will continue her sales role and take on the responsibilities of brand communication, trade communication and strategy for the grocery business.

Robin has been with Galaxy Nutritional Foods for over 5 years and has concentrated on the growth of several key accounts. Her passion and commitment for moving the brand along with her relentless pursuit of new opportunities are some of her many qualities that will ensure her success in her new position.

CONSUMER FEEDBACK...

"I tried your product, Veggie Shreds. There are not enough adjectives I could write to describe them. They are delicious, nutritious, fantastic, fabulous, fulfilling, wonderful amazing, the ultimate!"
- Jody P., New York



"I love Veggie Cheese by Galaxy! Galaxy Cheese is the best Veggie Cheese ever. It has the best taste and texture."
- Irma H., Louisiana

SALES UPDATE...

Wholesome Valley®

The response to our new Wholesome Valley Organic products has been overwhelming! Several major retailers and

distributors are already on board, including Columbus distributors, which distributes to over 400 stores in Northern California. Columbus will ship all six Wholesome Valley Organic items with full service direct store delivery.

As noted in our new marketing plan, our focus in FY'05 is to increase sales profitability. With this in mind, several accounts are increasing the number of SKU's in their respective marketplaces. Kudos go to our Galaxy V.P. of Global Sales, John Jackson, for recently gaining distribution on all 6 new Wholesome Valley Organic items to Ingles Supermarkets.



Another growing account gained by our Caribbean broker, Dave Bennett & Associates, is Cuba. Our second order shipping to the international waters will take place at the end of June 2003 and includes additional Galaxy brand SKU's.

QUARTERLY QUOTE

To climb steep hills requires slow pace at first. - William Shakespeare

