



QUARTERLY INSIGHT

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2nd QUARTER ENDING
SEPTEMBER 30, 2004

David H. Lipka, *Chairman of the Board*
Michael E. Broll, *Chief Executive Officer*
Salvatore J. Furnari, *Chief Financial Officer*

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CHAIRMAN'S COMMENTARY



DAVID H. LIPKA, CHAIRMAN

Our commitment to improve financial performance and continued sales growth is well underway for Fiscal 2005. Your Board of Directors has been actively participating in the execution of our strategic plan.

The management team at Galaxy has facilitated improvement in cash flow by implementing changes relative to operation, cost reduction, and growth strategies. We continue to explore new markets and opportunities as we seek to utilize Galaxy's overall

strengths in a more diversified way. Galaxy's Management Team and Board of Directors thank you for your support and look forward to Galaxy's financial accomplishments!

SUBSTANTIAL GROWTH IN NET SALES & CASH FLOW FOR FY 2005

We are pleased to report that net sales grew substantially to \$11,191,678 in the quarter ended June 30, 2004 from \$8,695,781 in the quarter ended June 30, 2003. The increase of \$2,495,897 reflects a 29% increase.

Michael E. Broll, Galaxy's CEO, stated, "The 29% increase in net sales for the first quarter has been a very positive achievement for the company. In fact, our overall financial performance for the first quarter of Fiscal 2005 is a genuinely significant improvement over the prior year."

Furthermore, cash flow provided by operating activities for the quarter ended June 30, 2004 was \$578,038 compared to cash flow used in operating activities of (\$138,377) for the quarter ended June 30, 2003. Another significant gain for Galaxy Nutritional Foods.

Overall, we have a solid plan to continue delivering double digit sales growth. One area of concern for us and other similar companies is the rapid cost

escalation for certain important raw materials. These increases can put short term negative pressure on our margins. However, our purchasing and manufacturing teams are working hard to mitigate these cost pressures as much as possible. The primary focus of our entire management team is delivering consistent positive financial results.

VEGGIE® ON TELEVISION...



Galaxy's dedication to spreading the word of the wonderful benefits of eating Veggie products prompted our marketing team to launch our largest marketing campaign to date this summer. We have already initiated several account level advertisements, utilized national print

opportunities, and communicated Veggie's healthy message through regional advertising vehicles. Preliminary internal and syndicated data suggest promising sales increases were generated from Los Angeles and New York where television commercials ran during July and August. The commercials aired on cable television networks that are geared towards our core target market. Watch for Veggie advertisements and commercials in your city!

JOHN W. JACKSON PROMOTED



JOHN W. JACKSON, SR. V.P. OF SALES

John W. Jackson, Vice President of Global Sales, has recently been promoted to Senior Vice President of Sales and will report directly to our CEO, Michael E. Broll. This promotion recognizes John's significant contributions toward helping Galaxy refine its sales and marketing strategy, dramatically improve sales

efficiency and enhance customer respect. John has led Galaxy's successful global sales efforts for over eleven years. Please join us in congratulating John Jackson on his well deserved promotion!



NEW PRODUCTS

Our Research and Development team has been diligently creating and developing new and innovative products to address and meet current health and convenience needs of consumers in the marketplace. The media have stressed the obesity epidemic in the United States and consumers are responding by making healthier choices while shopping and dining out. Our goal is to provide convenient, great-tasting products for salubrious lifestyles and to cater to the growing demand for foods that accommodate healthy diets. Look for our exciting new Veggie products this winter!

RICE PRODUCTS FEATURED

Greg Hottinger, MPH, RD, features our Rice Shreds in his book, *The Best Natural Foods Market Today: A Yuppie's Guide to Hippy Food, Volume 1*. While teaching consumers how to prepare quick and healthy meals, Greg features some of his favorite products that are conducive to healthy lifestyles. Consumers can purchase this book in natural food stores, amazon.com, and bestnaturalfoods.com.



TEAM APPRECIATION BBQ ...



PICTURED LEFT TO RIGHT: RALPH LEWIS, KULBIR SABHARWAL, CHRIS CARLILE, JOE ADDLESBERGER & TOM PERNO

Galaxy's commitment to increasing sales while reducing costs has enabled us to utilize contract manufacturing to reduce excess manufacturing capacity and improve operational cost structures. With increased production came increased workloads placed on our hard-working manufacturing

employees. To thank our team for the long hours and exemplary work, Galaxy's management team served our manufacturing team a couple barbeque lunches over this past summer.

10 YEARS WITH GALAXY

Christine Carlile, Galaxy's Human Resource Manager, and Dawn Robért, Galaxy's Art Director/Investor Relations, celebrated their ten year anniversaries with Galaxy Nutritional Foods in August!

Christine earned her BS in Marketing Management from Florida State University. She joined Galaxy Nutritional Foods and moved quickly through the ranks. She has held positions in accounting, payroll, and eventually landed her current position as Human Resource Manager in 1998 due to her dedication, productiveness, and attention to detail. In 2000, she earned her Professional Human Resource (PHR) certification. We look forward to many more rewarding years with Christine's help and commitment to success!

Dawn Robért earned her BA in English and Psychology from



CHRISTINE CARLILE, PHR



DAWN ROBÉRT, ART DIRECTOR

Rollins College and joined Galaxy Nutritional Foods as a graphic designer, as well as Foodservice Customer Service Representative. Within the next four years, Dawn's talent and hard work earned her the full time Packaging & Graphic Design position, and she advanced to become our Art Director. In 2001, Dawn also took on the Investor Relations position as well as Executive Assistant to the CEO. Dawn's many roles play an integral part to Galaxy's past and future successes!

Please join us in congratulating these two women on their loyalty and outstanding work decorum that has helped bring Galaxy to where we are today!

CUSTOMER SERVICE

Galaxy Nutritional Foods recent sales growth has generated the need to expand our customer service team to handle the sales volume and customer inquiries. In order to coordinate and execute the strategic plans put in place for our sales growth initiative, we would like to welcome aboard three new team members who have demonstrated their abilities to manage customer service needs and to assist our sales team in leveraging sales.

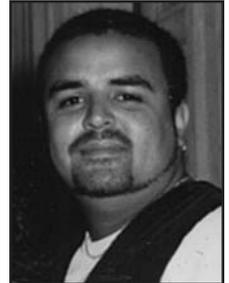
Carmen Varela, a very experienced customer service manager, accepted the position of Customer Service Manager with Galaxy in early September. Carmen will help establish policies and procedures to help streamline customer order flow and improve processes that will ensure that our customers are receiving the best service possible and will be instrumental in helping us achieve our goals as a company.

Eddie Anglero has joined our team to manage our international and foodservice customers. Eddie comes to us with over eight years of customer service and administrative experience and is bilingual in Spanish and English. Eddie is taking over for Gilbran Laureano, who is moving into a full time foodservice sales position.

Desiree Malo joined Galaxy to manage the Northeast Territory supporting Bob Peterson and Christopher Morini. Desiree comes to us with many years of experience with consumer goods and retail customer service.



CARMEN VARELA, C.S. MANAGER



EDDIE ANGLERO, CSR



DESIREE MALO, CSR

CONSUMER LETTERS...

Greetings! I just tried your Veggie Slices - Cheddar Flavor with Jalapenos. Wow! I didn't think a cheese alternative could taste so great! Thanks so much for such a great product. I can enjoy cheese and keep healthy too. I am a customer for life. - *Shelley, IL*



QUARTERLY QUOTE...

"Unless you try to do something beyond what you have already stered, you will never grow." - *Ronald Osborn*

