

Lifeway Foods Reports Record Fourth Quarter and full year 2006 Sales Results

- **Total consolidated sales for the 4th quarter 2006 rose 52% to \$7,895,000 from 2005.**
- **Total consolidated sales for 2006 are approximately \$27,723,200, a 38% increase from 2005.**
- **Lifeway Sales for 4th Quarter 2006 Rose 27% to \$6,618,860 from 2005.**
- **Helios Brand Kefir line records 4th quarter revenues of \$1,092,284 a 12% increase from 2005.**
- **Pride of Main Street fluid milk line records 4th Quarter revenues of approximately \$184,100.**

Morton Grove, IL—January 8, 2007- Lifeway Foods, Inc., (Nasdaq: LWAY), makers of a nutritious, probiotic dairy beverage called kefir, announced today for the fourth quarter ended December 31, 2006, total consolidated sales increased 52% to approximately \$7,895,000 from \$5,208,000 during the same period a year ago. This increase in sales was driven by another strong sales increase of Lifeway's kefir line of 27% and the remainder coming from the sales of the Helios kefir line and Pride of Main Street's milk line.

Julie Smolyansky, Lifeway's CEO, commented, "The fourth quarter 2006 was another outstanding quarter for Lifeway Foods. Sales continue to grow at a record pace, and we continue to execute on all of our strategies for growth. The success of Probugs™ has prompted us to add an additional flavor to the line, Goo-Berry Pie™, in the coming months, and we have recently been test marketing our Kefir in the first class section of a major trans- Atlantic airline."

Smolyansky added, "We started 2006 off by ringing the closing bell at the Nasdaq and continued a milestone year by introducing the several new products including ProBugs™, one of the dairy industry's most innovated products in years, and acquiring our top competitor, Helios Nutrition, makers of organic kefir. We're confident 2007 will be an equally exciting year."

Edward Smolyansky, CFO commented, "As we continue to transition the production of the Helios kefir out of the Minnesota dairy facility, to our main facility in Illinois, we will free up much needed capacity in the Minnesota location. Therefore, in the coming weeks and months we will begin to introduce a variety of Organic dairy products that will be produced in Minnesota, starting with a line of Organic milks under the Pride of Main Street name."

Smolyansky added "Pride of Main Street already makes and sells conventional milks throughout Minnesota, however, we are certain that there is a market for very high quality, locally produced Organic milk products in the Twin Cities and surrounding areas, and therefore we believe we can utilize this excess capacity and add value to our newly acquired subsidiary, Pride of Main Street Dairy"

About Lifeway Foods

Lifeway, recently named Fortune Small Business' 94th Fastest Growing Small Business, and one of only 20 companies to ever be named to the list three straight years in a row, is America's leading supplier of the cultured dairy product known as kefir, and now America's only supplier of Organic Kefir. Lifeway Kefir is a dairy beverage that contains Lifeway's exclusive 10 Live and Active probiotic cultures. While most regular yogurt only contains two or three of these "friendly" cultures, Lifeway kefir products offer more nutritional benefits. Lifeway offers 12 different flavors of its Kefir beverage, Organic Kefir and SoyTreat (a soy based kefir). Lifeway recently introduced a series of innovative new products such as pomegranate kefir, Greek-style kefir, a children's line of organic kefir products called ProBugs (TM) in a no-spill pouch in kid-friendly flavors like Orange Creamy Crawler and Sublime Slime Lime, and a line of organic whole milk kefir. Lifeway also produces a line of products marketed in US Hispanic communities, called La Fruta, Drinkable Yogurt (yogurt drinks distinct from kefir). In addition to its line of Kefir products, the company produces a variety of cheese products and recently introduced a line of organic pudding called It's Pudding!.

For more information, contact Julie Smolyansky at Lifeway Foods, Inc. at (847) 967-1010 or e-mail at info@lifeway.net and visit <http://www.lifeway.net>.

This news release contains forward-looking statements. Investors are cautioned that actual results may differ materially from such forward-looking statements. Forward-looking statements involve risks and uncertainties including, but not limited to, competitive pressures and other important factors detailed in the Company's reports filed with the Securities and Exchange Commission.