

## **Lifeway Foods Reports Record 3rd Quarter and Nine Months Ended September 30, 2007 Results**

Thursday November 15, 9:00 am ET

**- Q3 Sales Up 32%**

**- Q3 Gross Profit decreases 4% due to record high milk prices**

**- Total Q3 EPS \$.03 in 2007 from \$.04 in 2006**

MORTON GROVE, Ill., Nov. 15 /PRNewswire-FirstCall/ -- Lifeway Foods, Inc. (Nasdaq: [LWAY](#) - [News](#)), makers of a nutritious, probiotic dairy beverage called kefir, announced today for the third quarter ended September 30, 2007, total consolidated sales increased 32% to approximately \$9,817,500 from \$7,456,650 during the same period a year ago. This increase in sales was driven by another strong sales increase of Lifeway's kefir line of 28% and the remainder coming from the sales of the August 3, 2006 Helios kefir line and Pride of Main Street's milk line. The Helios Kefir line, which recorded revenues of \$1,183,287 in the third quarter 2007, was a 10% increase from the same period in 2006.

Third quarter 2007 gross profit decreased 4% to \$2,720,659 from \$2,840,283 during the same period a year ago. This decrease is primarily attributable to the cost of milk, Lifeway's largest cost of goods sold component, which was approximately 110% higher in the third quarter 2007 compared to the same period in 2006. The price of milk in the month of September was the highest ever recorded.

Third quarter pretax income decreased 35% to \$782,702 from \$1,195,971 during the same period a year ago. Earnings per share decreased to \$.03 per share for the third quarter 2007, from \$.04 per share for the same three-month period in 2007.

For the nine months ended September 30, 2007, total consolidated sales increased 44% to approximately \$28,555,000 from \$19,827,000 during the same nine-month period a year ago. This increase in sales was driven by another strong sales increase of Lifeway's kefir line of 29% and the remainder coming from the sales of the Helios kefir line and Pride of Main Street's milk line.

For the nine months ended September 30, 2007 gross profit increased 25% to \$10,122,154 from \$8,117,482 during the same period a year ago. The cost of milk, Lifeway's largest cost of goods sold component, which was approximately 80% higher in the first nine months of 2007 compared to the same period in 2006. For the nine months ended September 30, 2007 pretax income increased 25% to \$4,763,343 from \$3,818,809 during the same period a year ago. Earnings per share increased to \$.18 per share, up from \$.14 per share for the same nine-month period in 2006.

Edward Smolyansky, CFO commented, "We are extremely proud of our third quarter and first 9 months of 2007 results. Despite record high milk and transportation costs, as well as operating in an environment where most of our other production related costs are increasing, we were able to maintain relatively healthy margins. The cost of milk hit a record high in the month of September, and has since dropped slightly in October, a trend we hope but cannot be assured of continues."

Julie Smolyansky, CEO commented, "We have not yet passed these cost increases onto our customers, however if these costs continue to rise, we will have no choice but to raise our prices." Smolyansky added, "Kefir is an extremely unique probiotic health food that adds value well beyond that of regular milk or even yogurt, yet we are still priced much lower than any comparable dairy product."

About Lifeway Foods

Lifeway, recently named Fortune Small Business' 97th Fastest Growing Small Business, and one of only 4 companies to ever be named to the list four 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!.

Live conference calls will now be on an annual basis to discuss fiscal full year results. For more information, contact Lifeway Foods, Inc. at (847) 967-1010 or e-mail at [info@lifeway.net](mailto: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.

## LIFEWAY FOODS, INC. AND SUBSIDIARIES

### Consolidated Statements of Income and Comprehensive Income

For the Three and Nine Months Ended September 30, 2007 and 2006 (Unaudited)

and The Year Ended December 31, 2006

|   | (Unaudited)<br>Three Months Ended<br>September 30,<br>2007 |                    | (Unaudited)<br>Nine Months Ended<br>September 30,<br>2007 |                        |
|---|--|--------------------|---|------------------------|
|   | 2006   | 2006               | 2006  | 2006                   |
| Sales   | \$9,817,478  | \$7,456,649        | \$28,554,984  | \$19,827,069           |
| Cost of goods sold  | 7,096,819  | 4,616,366          | 18,432,830  | 11,709,587             |
| Gross Profit  | 2,720,659  | 2,840,283          | 10,122,154  | 8,117,482              |
| Selling Expenses<br>General and<br>Administrative         | 1,174,140<br>965,476                                       | 890,563<br>830,400 | 2,856,483<br>3,121,851                                    | 2,323,155<br>2,338,483 |
| Total Operating<br>Expenses                               | 2,139,616  | 1,720,963          | 5,978,334   | 4,661,638              |
| Income from<br>operations                                 | 581,043  | 1,119,320          | 4,143,820   | 3,455,844              |
| Other income (expense):                                   |  |                    |   |                        |
| Interest and<br>dividend income                           | 84,918   | 86,318             | 249,082   | 294,583                |
| Retail Income   | 9,731  | -                  | 27,912  | -                      |
| Interest expense  | (102,197)  | (96,557)           | (321,009)   | (209,983)              |
| Gain (loss) on sale<br>of marketable<br>securities, net   | 208,629  | 89,260             | 662,009   | 277,674                |
| Gain on marketable<br>securities classified<br>as trading | 578  | (2,370)            | 1,529   | 691                    |
| Total other income<br>(Expense)                           | 201,659  | 76,651             | 619,523   | 362,965                |
| Income before provision<br>for income taxes               | 782,702  | 1,195,971          | 4,763,343   | 3,818,809              |

|   |            |            |             |             |
|---|------------|------------|-------------|-------------|
| Provision for income taxes                    | 314,508    | 456,012    | 1,763,792   | 1,434,148   |
| Net income                                    | \$468,194  | \$739,959  | \$2,999,551 | \$2,384,661 |
| Basic and diluted earnings per common share   | 0.03       | 0.04       | 0.18        | 0.14        |
| Weighted average number of shares outstanding | 16,924,911 | 16,860,139 | 16,865,390  | 16,855,889  |

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Source: Lifeway Foods, Inc.