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**Lifeway Foods, Inc.**

For Immediate Release

## **Lifeway Foods to test market Kefir to Costco Wholesale Corporation**

Morton Grove, Illinois, December 22, 2005 -- Lifeway Foods, Inc. (Nasdaq: LWAY), the nation's leading kefir manufacturer, has begun distribution to a limited test market of Costco stores in the Midwest region.

To be resold as a two pack, LowFat Plain Kefir will be the only flavor of kefir distributed by Costco. The first shipments of Kefir are expected to show up on store shelves this week.

"We are incredibly excited that Lifeway Kefir will be sold to Costco stores throughout the Midwest; we continue to expand the Chicago-land market and find new venues to sell our products," exclaimed Julie Smolyansky, Lifeway Foods' President and CEO. Smolyansky also added, "Costco's test market with Kefir is another example that Kefir is growing in popularity and acceptance in the mass market. I am particularly pleased Costco chose to bring in plain, as it is the variety recommended by Dr. Nicolas Perricone in his new book, "The Perricone Weight-loss Diet: A Simple 3-part Program To Lose The Fat, The Wrinkles, And The Years." For those Costco customers interested in flavored Kefir, we offer a variety of recipes on our web site that will help consumers make their own flavored Kefir."

Lifeway, named as Forbes' 38<sup>th</sup> best small business and Fortune Small Business' 47th Fastest Growing Small Business, is America's leading supplier of the cultured dairy product known as kefir. Kefir is a milk-based beverage that contains ten types of "friendly," active probiotic cultures. While most yogurts only contain two or three of these cultures, Lifeway kefir products offer more nutritional benefits. Lifeway now offers 13 different flavors of its Kefir beverage, Organic Kefir and SoyTreat (a soy based 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 also produces a variety of cheese products and recently introduced an organic line of pudding called "It's Pudding!"

About Costco Warehouse Corporation:

Costco currently operates 471 warehouses, including 346 in the United States and Puerto Rico, 66 in Canada, 17 in the United Kingdom, five in Korea, four in Taiwan, five in Japan and 28 in Mexico. The Company also operates Costco Online, an electronic commerce web site, at [www.costco.com](http://www.costco.com) and at [www.costco.ca](http://www.costco.ca) in Canada.

For more information, contact Lifeway Foods Inc. at (847) 967-1010 or e-mail at [info@lfeway.net](mailto:info@lfeway.net) and visit <http://www.lfeway.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.*