

Lifeway Foods, Inc.

For Immediate Release

Lifeway Foods Named ‘Best New Products Company of the Year’ by Dairy Foods Magazine

Morton-Grove, Ill.- October 11, 2006 Lifeway Foods, (NASDAQ – LWAY) a health food company that produces kefir and other cultured and specialty dairy products, has been selected as Dairy Foods magazine’s New Products Company of the Year. Lifeway’s product innovations will be spotlighted in the “Best New Products” feature in Dairy Foods’ November issue.

“Lifeway Foods started with kefir, a milk-based beverage that contains 10 active probiotic bacteria, and it continues to grow with innovative derivations of this Eastern European classic. Just as much of America is focused on the future health of today’s youth, the Smolyanskys knew that 2006 was going to be the year that American kids would get their own kefir,” writes Donna Berry, Product Development Editor for Dairy Foods Magazine. Berry notes the introduction of ProBugs™, the additional flavor roll out of pomegranate kefir, the change in sweetener – from high-fructose corn syrup to organic cane juice, the introduction of Greek Style Kefir, and the acquisition of Lifeway’s top competitor, Minnesota-based Helios Nutrition among new developments in 2006. Berry further writes, “Their father, Lifeway Foods’ founder Michael Smolyansky, is truly smiling in heaven in this 20th year of the company he started because he wanted the American dream for his family, with tastes from the old country.”

“I am very proud of Lifeway and our team. To be recognized by industry experts as ‘Best New Products Company of the Year’ is another sign that we continue to not only respond to growing trends in the industry but lead and pioneer new trends. I look forward to our bright future with our existing line of probiotic products as well as future innovations in the pipe line.”

About Dairy Foods magazine

Every year, *Dairy Foods* magazine, the leading trade publication for the U.S. dairy industry, honors innovative dairy processors for their most recent innovations in the November special feature: Best News Products of the Year. One company is singled out and put in the spotlight as the Best New Products Company of the Year. Winners are chosen by the magazine’s prestigious board of industry representatives, with factors such as innovation in product, package and promotion considered in the selection process. *Dairy Foods* is a BNP Media publication. BNP Media serves industry professionals by delivering useful, timely and accurate information through magazines, websites, conferences and events. The company writes, produces and publishes more than 40 business-to-business publications, each one staffed with knowledgeable experts and industry veterans. Founded in 1926, BNP Media is a fourth-generation,

family-run business headquartered in Troy, Michigan with 10 regional offices around the country.

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 Lifeway Foods, Inc. at (847) 967-1010 or e-mail at info@lifeway.net and visit <http://www.lifeway.net> . The full Dairy Foods magazine article will be available online at <http://www.dairyfoods.com> in November.

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.