

Lifeway Foods, Inc.

For Immediate Release

Lifeway Foods Inc. Reports 3rd Quarter 2006 and Nine-Month Results:

Tuesday November 14, 4:42 pm ET

-- 3rd Quarter Sales up 26%; 3rd Quarter Operating Income Up 22%

-- Nine Month Sales up 27%; Nine Month Operating Income up 30%

MORTON GROVE, Ill., Nov. 14 /PRNewswire-FirstCall/ -- Lifeway Foods, Inc. (Nasdaq: [LWAY](#) - [News](#)) today reported financial results for the third quarter and nine months ended September 30, 2006, excluding recently acquired Helios Nutrition.

Without the Helios results, Lifeway reported record third quarter revenues of \$6.560 million, up 26% from last year's third quarter revenues of \$5.195 million. Gross profit increased 23% in the third quarter of 2006 when compared to the same quarter in 2005. Operating income increased 22% in the third quarter 2006 when compared to the same quarter in 2005.

For the nine months period ended September 30, 2006, revenues increased approximately 27% to \$18.930 million, compared to \$14.924 million during the same nine-month period in 2005. Gross profit also increased 27% in the nine month period ended September 30, 2006 when compared to the same period in 2005. Operating income increased 30% in the nine month period ended September 30, 2006 when compared to the same period in 2005.

Julie Smolyansky, CEO, states, "The third quarter was a milestone quarter for us, and it continues to be a very exciting time for Lifeway Foods. We had our second stock split, acquired our top competitor, Helios Nutrition, and the awareness and acceptance of our products continue to be at an all time high. Probugs(TM), which was recently featured on NBC's The Today Show, and Fox and Friends in the same week, is becoming a hit in the dairy industry, and continues to gain distribution at a more rapid pace than that of any other products we've previously launched."

Edward Smolyansky, CFO, commented, "The third quarter 2006 results are extremely encouraging given some of the higher delivery and oil related raw material costs incurred when compared to prior periods. Gross margins were relatively unchanged from the third quarter 2005 even though our cost of deliveries increased approximately 85%. Transportation and raw material expenses tend to rise very quickly when the price of fuel and oil increases but tend to decline slowly when the price drops. In the fourth quarter we have begun to see the price for both diesel fuel and some raw materials decline."

Smolyansky added, "Operating expenses as a percentage of sales were approximately 25% in the third quarter 2006, a decrease from 26% last year. This is particularly positive given the numerous one time legal and regulatory charges related to the recent stock split and the Helios acquisition, in addition to the increase in advertising expenses related to the new Probugs(TM) product. This shows that, overall, our operations are becoming more efficient, and this trend should continue as we further transition the production of Helios Kefir into our main Illinois manufacturing facility, which began in early October 2006. The added cash flow from this transition should be more than adequate to finance the \$4.2 million note issued in connection with the acquisition. In the third quarter 2006, we incurred approximately \$56,000 in interest expense related to this note in our 'Other Income' line."

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 or Edward 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.

Lifeway Foods, Inc.
Condensed Consolidated Statement of Pre Tax Income, Excluding Helios, Final
Tax Computation and Net Income

(Unaudited)

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2006	Sept. 30, 2005	Sept. 30, 2006	Sept. 30, 2005
Sales	\$6,559,033	\$5,194,648	\$18,929,453	\$14,924,076
Cost of Goods Sold	3,959,270	3,073,314	10,910,454	8,607,538
Gross Profit	2,599,763	2,121,334	8,019,000	6,316,538
Operating Expenses	1,667,504	1,359,171	4,750,216	3,793,394
Income From Operations	932,259	762,163	3,268,783	2,523,144
Total other income	76,686	197,251	363,000	500,520
Pre-tax income	1,008,945	959,414	3,631,783	3,023,664

Source: Lifeway Foods, Inc.