

Lifeway Foods, Inc.

For Immediate Release

**Lifeway Foods Secures First Foodservice Distribution Contract,
Expanding Market for Its Kefir Products**

Morton Grove, IL, May 18, 2007 – Lifeway Foods, Inc. (NASDAQ: LWAY), the country's leading manufacturer of kefir and a provider of other natural and organic dairy products, today announced a distribution agreement with U.S. Foodservice that will expand Lifeway's footprint from retail grocery stores to restaurants, schools, hotels and other institutional sites for the first time. Lifeway has also hired a sales representative dedicated to the "away from home" market and will exhibit at this week's National Restaurant Association Show in Chicago as part of its strategy to penetrate the foodservice arena.

Beginning this quarter, the Midwest division of U.S. Foodservice will make 10 Lifeway products available to customers in the Chicagoland area, including independent and multi-unit restaurants, educational institutions, and healthcare and hospitality facilities. The selection will include three flavors of the Lifeway's ProBugs kefir for children and seven SKUs of the company's 8-oz. single-serve natural and organic kefir.

Over time, Lifeway expects to expand its presence in the foodservice channel to address other geographic markets. U.S. Foodservice is the second largest broadline foodservice distributor in the country with operations covering an area in which over 95% of the U.S. population resides and national accounts ranging from the Hilton, Holiday Inn and Westin hotels to Macy's and Premier Healthcare.

"Americans spend nearly half of every food dollar on meals prepared away from home. That makes the foodservice market a strong potential area of growth for us, particularly with the rising interest in healthy eating in general and kefir and probiotics in particular," said Lifeway President and CEO Julie Smolyansky, "This agreement is an important first step in reaching that market and building a completely new revenue stream that will help us continue growing the company."

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!.