

## **Lifeway Foods, Inc.**

For Immediate release

# **Lifeway Foods Reports Record Third Quarter 2008 Revenues**

- **Total consolidated sales for the third quarter rose 15% to \$11,270,000 in 2008 from \$9,817,000 in 2007.**

**Morton Grove, IL—October 9, 2008-** Lifeway Foods, Inc., (NASDAQ: LWAY), makers of a nutritious, probiotic dairy beverage called Kefir, announced today for the third quarter ended September 30, 2008, total consolidated sales increased 15% to approximately \$11,270,000 from \$9,817,000 during the same period a year ago.

Key quarterly highlights:

- Sales via Costco, other new retail channels adding to growth.
- Strong initial sales of Kefir Wellness Snack Bars now available in Kroger outlets and online.
- Cost of milk declining, down approximately 25% compared with third quarter of 2007
- Lifeway's balance sheet remains strong, funding all growth and operations from internally generated cash flow.

Julie Smolyansky, President and Chief Executive Officer, said, "We are extremely pleased with our third quarter sales. September was a record month for us, with about 40% of the quarter's shipments occurring in that month. In addition to sales growth from our regular channels and products, in the third quarter we began shipping to Costco locations in the Midwest, and the results exceeded our expectations. This should provide a nice springboard to expand to other regions."

Smolyansky also noted that the first shipments of our new Kefir Wellness Snack Bars to several hundred Kroger stores began in the third quarter. "These probiotic packed snack bars are a great extension of our award winning Kefir beverages, which due to the long shelf life, allows us to penetrate a whole new set of distribution channels not previously offered by our traditional perishable lines," she said. "We have since launched our first online store at <http://onlinestore.lifeway.net> where our customers can now order the Kefir Wellness bars direct from our warehouse."

Smolyansky announced that Lifeway has begun to distribute four varieties of its 32 ounce Low Fat Organic Kefir -- Organic Blueberry, Organic Pomegranate–Acai, Organic Plain, and Organic Strawberries 'n Cream – through Giant Eagle, the major regional grocery chain with more than 200 locations in Ohio, western Pennsylvania, West Virginia and Maryland.

Edward Smolyansky, Chief Financial Officer, noted that milk prices have dropped significantly in recent months, which should reduce pressures on Lifeway's margins.

"Third quarter 2008 milk prices remained much lower compared to the same period in 2007," he said, "which gave us the flexibility to more aggressively promote our products in the second half of the quarter, which is evident in the recent trend increase in demand. In addition, October milk

prices have since plummeted to 16 month lows not seen since March 2007, and should provide further cost relief in the fourth quarter.”

Edward Smolyansky said that Lifeway remains financially strong, with both its operations and expansion programs 100% self-financed.

”We do not require short term credit, which puts us in a great position to continue to invest in our product lines and increase our market position going forward giving us a competitive advantage in the current tough economic climate,” he said.

### **About Lifeway Foods**

Lifeway, recently named Fortune Small Business' 49th Fastest Growing Small Business, is America's leading supplier of the cultured dairy product known as 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 at Lifeway Foods, Inc. at (877) 281-3874 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.