

Lifeway Foods, Inc.
For Immediate Release

Lifeway Foods to begin a franchise program for its Starfruit, “Kefir Boutique” Cafe

Morton Grove, IL, July 7, 2008 – Lifeway Foods, Inc. (NASDAQ: LWAY), the country’s leading manufacturer of kefir and a provider of other natural and organic dairy products, announced today that it is franchising its Starfruit “kefir boutique” café.

The new retail concept debuted April 15th at 1745 W. Division Street in the trendy Wicker Park neighborhood in Chicago and serves as a prototype for it’s national franchise program. The shop offers several flavors of frozen kefir with over 20 toppings as well as customized kefir parfaits, and smoothie-style kefir drinks.

“Since announcing the initial opening of Starfruit, we have been bombarded with requests for franchise opportunities from all over the country,” said Julie Smolyansky, President and CEO of Lifeway Foods, Inc. “Starfruit will capitalize on the renewed popularity of frozen yogurt shops while offering a healthier alternative with all the probiotic benefits of kefir and franchising the concept can help us grow the brand quickly.”

The expansion into retailing provides a new sales channel for Lifeway’s products, coincides with the resurgence in the frozen yogurt category and offers an opportunity for Lifeway to promote the health benefits of its kefir products beyond grocery shelves.

Those benefits include 10 live and active probiotic cultures that have been shown in various studies to enhance the immune system, fight fatigue, promote gastrointestinal health, aid in vitamin and mineral absorption, and ease lactose intolerance. Yogurt has a similar taste and texture to kefir but many of these frozen yogurt style shops do not use a real live and active product and contain only two or three of these cultures if any.

“Starfruit will capitalize on the renewed popularity of frozen yogurt shops while offering a healthier alternative with all the probiotic benefits of kefir,” said Julie Smolyansky, President and CEO of Lifeway Foods Inc. “We have been pioneering leaders in the field of probiotics and kefir. This leadership will translate into the quality of the Starfruit product line. This is a promising diversification that will leverage our leadership in the kefir market, familiarize a whole new group of consumers with kefir as well as teach existing customers new ways to consume kefir, and provide a potentially very lucrative new revenue stream.”

Julie Smolyansky stated that the company is accepting applications for individuals interested in becoming franchise partners for individual or multiple locations. Lifeway

has engaged Francorp, the world's leader in franchise consulting, to develop their franchise program.

For more information, email franchising@starfruitcafe.com or call 877-281-3874.

About Lifeway Foods

Lifeway is America's leading supplier of the cultured dairy product known as kefir and the country's only supplier of organic kefir. Lifeway Foods, recently named Crain's Chicago 49th fastest growing Chicago Companies and Fortune Small Business' 49th Fastest Growing Small Business, one of only 4 companies to ever be named to the list five straight years in a row. Lifeway's kefir products include regular and organic kefir, a soy-based version called SoyTreat, a new Indian variety known as Lifeway Lassi, organic whole milk kefir, and a children's line of organic kefir products called ProBugs™ packaged in a no-spill pouch. Lifeway also produces the La Fruta line of drinkable yogurt marketed in US Hispanic communities, a variety of cheese products and It's Pudding! organic pudding.