

Lifeway Foods, Inc.
For Immediate Release

Lifeway Foods announces 29% Sales Increase for 4th Qtr. 2007 and new 100,000 share buyback program approval.

- **Total consolidated sales for the 4th quarter 2007 rose 29% to \$10,170,000 from \$7,894,000 in 2006.**
- **Total consolidated sales for the full 2007 year rose 40% to \$38,725,000 from \$27,720,000 in 2006.**
- **Board of Directors approves 100,000 share buyback program.**
- **December 2007 cost of milk approximately 7% lower compared to September 2007 highs.**

Morton Grove, IL—January 7, 2008- Lifeway Foods, Inc., (NASDAQ: LWAY), makers of a nutritious, probiotic dairy beverage called Kefir, announced today for the fourth quarter ended December 31, 2007, total consolidated sales increased 29% to approximately \$10,170,000 from \$7,894,000 during the same period a year ago. This increase in sales was driven by the growth of Lifeway's main Kefir line and Lifeway's Helios Kefir line.

In addition, Lifeway's Board of Directors approved a new share repurchase program of up to 100,000 shares. Under such a program, Lifeway Foods may repurchase up to 100,000 shares of the Company's Common Stock through the open market within a period of one year from the date of the first purchase. The Company will use its available cash resources to fund the stock repurchase program.

Julie Smolyansky, Lifeway's CEO, commented, "The fourth quarter 2007 was another outstanding quarter for Lifeway Foods. Both of our main brands, the Lifeway and Helios kefir line's, had their best quarters in terms of revenues ever. We are seeing that Kefir continues to grow in popularity and expect that 2008 will be yet another strong year." Smolyansky added "We are also very pleased that our Board of Directors has approved another share repurchase program. In 2007 we repurchased 75,000 shares, and this new 100,000 share approval demonstrates our continuing commitment to growth and enhancing shareholder value."

Edward Smolyansky, Lifeway's CFO, commented, "We are extremely pleased to finish out the year in strong fashion by surpassing the \$10 million dollar quarterly revenue threshold. We had fought rising raw material costs all year and are pleased to see that in December 2007, the price of conventional milk, our largest cost of goods sold component, decreased by approximately 7% from the September 2007 highs, and are hopeful this trend will continue in 2008."

About Lifeway Foods

Lifeway, recently named Fortune Small Business' 97th Fastest Growing Small Business, and one of only 4 companies to ever be named to the list four 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 at Lifeway Foods, Inc. at (877) 281-3874 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.