

## **Lifeway Foods, Inc.**

For Immediate Release

### **Lifeway Foods Reports Record 1st Quarter 2008 Results**

- **Revenues Up 23%**
- **Gross Profit Decreases 2% on 30% Higher Milk Costs**
- **Pre-Tax Income \$1,446,000**
- **Net income \$888,000; EPS \$.05**

**Morton Grove, IL—May 15, 2008**—Lifeway Foods, Inc., (Nasdaq: LWAY), makers of the nutritious, probiotic dairy beverage called kefir, announced today for the first quarter ended March 31, 2008, total sales increased 23% to approximately \$11,122,000 from \$9,022,000 during the same period a year ago. This increase in sales was driven by another strong sales increase of Lifeway's flagship kefir line, Lifeway's Probugs™ Organic Kefir for Kids, and Lifeway's "Helios Organic" brand kefir.

First quarter 2008 gross profit decreased 2% to \$3,490,731 from \$3,572,419 during the same period a year ago. The cost of milk, Lifeway's largest raw material cost component was on the average 30% higher in the first quarter 2008, when compared with the first quarter 2007. Pre tax income was \$1,446,551 in the first quarter 2008, compared to \$1,781,105 in the first quarter 2007. Net income was \$888,605 in the first quarter 2008, compared to \$1,135,331 in the first quarter 2007.

Edward Smolyansky, CFO commented, "We are extremely pleased at our first quarter 2008 results. Sales were again very strong, and we really started to see the benefits of decreasing milk cost, which began in March. These decreases have since continued in April, and even more so in May, and we hope that this trend continues throughout the year. As far as revenues goes, in April we had a couple of weeks where we surpassed the \$1 million dollar a week threshold, and that is certainly an exciting event for a company such as ours." Smolyansky added, "In addition to the continued strength of our core drinkable dairy business, our "Kefir Boutique" retail store concept, Starfruit™, opened it's doors April 15, and even though the weather has yet to fully cooperate in Chicago, the early results have surpassed our expectations, and we are now looking for a few more high profile sites in and around Chicago."

Julie Smolyansky, CEO commented, "You really have to be living under a rock to not know of the pressures that have faced dairy companies such as ourselves in the past year. The second half of 2007 was one of the most challenging periods in our company's brief history, and when we look at our first quarter 2008 results versus the second half of 2007, the difference is like day and night. We hope that we have navigated through the rough environment of record high milk costs, and have gotten back to period of relative calm."

#### **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 largest 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 Soy Treat (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 patented 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!.

Live conference calls will now be on an annual basis to discuss fiscal full year results. For more information, contact 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.**

	(Unaudited)		
	Three Months Ended		Year Ended
	March 31,		December 31,
	<u>2008</u>	<u>2007</u>	<u>2007</u>
<b>Sales</b>	\$ 11,122,238	\$ 9,022,244	\$ 38,729,156
Cost of goods sold	7,442,083	5,284,532	25,582,981
Depreciation expense	<u>189,424</u>	<u>165,293</u>	<u>726,647</u>
Total cost of goods sold	<u>7,631,507</u>	<u>5,449,825</u>	<u>26,309,628</u>
<b>Gross profit</b>	<b>3,490,731</b>	<b>3,572,419</b>	<b>12,419,528</b>
Selling Expenses	1,059,166	770,081	3,744,388
General and Administrative	985,046	920,573	3,914,825
Amortization expense	<u>79,861</u>	<u>80,275</u>	<u>323,266</u>
<b>Total Operating Expenses</b>	<b>2,124,073</b>	<b>1,770,929</b>	<b>7,982,479</b>
<b>Income from operations</b>	<b>1,366,658</b>	<b>1,801,490</b>	<b>4,437,049</b>
Other income (expense):			
Interest and dividend income	103,133	65,799	350,286
Rental Income	11,647	8,600	48,305
Interest expense	(85,956)	(109,529)	(410,180)
Gain (loss) on sale of marketable securities, net	<u>51,029</u>	<u>14,745</u>	<u>539,739</u>
Total other income (Expense)	<u>79,853</u>	<u>(20,385)</u>	<u>528,150</u>
<b>Income before provision for income taxes</b>	<b>1,446,511</b>	<b>1,781,105</b>	<b>4,965,199</b>

Provision for income taxes	<u>557,906</u>	<u>645,774</u>	<u>1,812,539</u>
<b>Net income</b>	<u><b>\$ 888,605</b></u>	<u><b>\$ 1,135,331</b></u>	<u><b>\$ 3,152,660</b></u>
<b>Basic and diluted earnings per common share</b>	<u>0.05</u>	<u>0.07</u>	<u>0.19</u>
<b>Weighted average number of shares outstanding</b>	<u><b>16,814,740</b></u>	<u><b>16,895,351</b></u>	<u><b>16,855,611</b></u>