

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **March 31, 2026**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **001-42398**

**LIFEWAY FOODS, INC.**

(Exact name of registrant as specified in its charter)

**Illinois**

(State or other jurisdiction of  
incorporation or organization)

**36-3442829**

(I.R.S. Employer  
Identification No.)

**6431 West Oakton, Morton Grove, IL 60053**

(Address of principal executive offices, zip code)

**(847) 967-1010**

(Registrant's telephone number, including area code)

**Securities registered under Section 12(b) of the Exchange Act:**

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, No Par Value	LWAY	Nasdaq Global Market
Preferred Stock Purchase Rights	None	Nasdaq Global Market

**Securities registered under Section 12(g) of the Exchange Act:**

**None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data file required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of Common Stock, no par value, outstanding as of May 8, 2026: 15,281,888.

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**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

**LIFEWAY FOODS, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**March 31, 2026 and December 31, 2025**  
*(In thousands)*

	<b>March 31, 2026</b>	<b>December 31,</b>
	<b>(Unaudited)</b>	<b>2025</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,604	\$ 5,571
Accounts receivable, net of allowance for credit losses and discounts & allowances of \$2,530 and \$1,730 at March 31, 2026 and December 31, 2025, respectively	22,985	16,643
Inventories, net	11,452	11,890
Prepaid expenses and other current assets	2,588	2,627
Refundable income taxes	41	325
<b>Total current assets</b>	<b>42,670</b>	<b>37,056</b>
<b>Property, plant and equipment, net</b>	<b>57,844</b>	<b>48,282</b>
<b>Operating lease right-of-use asset</b>	<b>553</b>	<b>465</b>
<b>Goodwill</b>	<b>11,704</b>	<b>11,704</b>
<b>Intangible assets, net</b>	<b>5,683</b>	<b>5,818</b>
<b>Other assets</b>	<b>2,051</b>	<b>2,285</b>
<b>Total assets</b>	<b>\$ 120,505</b>	<b>\$ 105,610</b>
<b>Current liabilities</b>		
Accounts payable	\$ 13,845	\$ 11,008
Accrued expenses	4,589	5,413
Accrued income taxes	1,518	218
<b>Total current liabilities</b>	<b>19,952</b>	<b>16,639</b>
<b>Line of credit</b>	<b>6,939</b>	<b>–</b>
<b>Operating lease liabilities</b>	<b>426</b>	<b>360</b>
<b>Deferred income taxes, net</b>	<b>2,792</b>	<b>2,792</b>
<b>Other long-term liabilities</b>	<b>74</b>	<b>–</b>
<b>Total liabilities</b>	<b>30,183</b>	<b>19,791</b>
<b>Commitments and contingencies (Note 9)</b>	<b>–</b>	<b>–</b>
<b>Stockholders' equity</b>		
Preferred stock, no par value; 2,500 shares authorized; none issued	–	–
Common stock, no par value; 40,000 shares authorized; 17,274 shares issued; 15,282 and 15,232 outstanding at March 31, 2026 and December 31, 2025, respectively	6,509	6,509
Treasury stock, at cost	(12,889)	(13,214)
Paid-in capital	3,347	3,843
Retained earnings	93,355	88,681
<b>Total stockholders' equity</b>	<b>90,322</b>	<b>85,819</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 120,505</b>	<b>\$ 105,610</b>

See accompanying notes to consolidated financial statements

**LIFEWAY FOODS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Operations**  
**For the three months ended March 31, 2026 and 2025**  
**(Unaudited)**  
*(In thousands, except per share data)*

	<b>2026</b>	<b>2025</b>
<b>Net Sales</b>	<b>\$ 63,012</b>	<b>\$ 46,091</b>
Cost of goods sold	44,741	34,254
Depreciation expense	920	802
Total cost of goods sold	45,661	35,056
<b>Gross profit</b>	<b>17,351</b>	<b>11,035</b>
Selling expense	6,188	4,698
General and administrative expense	4,703	4,628
Amortization expense	135	135
<b>Total operating expenses</b>	<b>11,026</b>	<b>9,461</b>
<b>Income from operations</b>	<b>6,325</b>	<b>1,574</b>
Other income (expense):		
Interest expense	(68)	(14)
Gain on sales of investments	–	3,352
Other income (expense), net	–	54
Total other (expense) income	(68)	3,392
<b>Income before provision for income taxes</b>	<b>6,257</b>	<b>4,966</b>
Provision for income taxes	1,583	1,426
<b>Net income</b>	<b>\$ 4,674</b>	<b>\$ 3,540</b>
<b>Net earnings per common share:</b>		
Basic	\$ 0.31	\$ 0.23
Diluted	\$ 0.30	\$ 0.23
<b>Weighted average common shares outstanding:</b>		
Basic	15,257	15,134
Diluted	15,559	15,333

See accompanying notes to consolidated financial statements

**LIFEWAY FOODS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Stockholders' Equity**  
(Unaudited)  
(In thousands)

	Common Stock						Paid-In Capital	Retained Earnings	Total Equity
	Issued		In treasury		Shares	\$			
	Shares	\$	Shares	\$					
<b>Balance, January 1, 2025</b>	17,274	\$ 6,509	(2,174)	\$ (14,052)	\$ 4,632	\$ 74,822	\$ 71,911		
Issuance of common stock	–	–	103	669	(2,278)	–	(1,609)		
Stock-based compensation	–	–	–	–	326	–	326		
Net income	–	–	–	–	–	3,540	3,540		
<b>Balance, March 31, 2025</b>	<u>17,274</u>	<u>\$ 6,509</u>	<u>(2,071)</u>	<u>\$ (13,383)</u>	<u>\$ 2,680</u>	<u>\$ 78,362</u>	<u>\$ 74,168</u>		

**LIFEWAY FOODS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Stockholders' Equity**  
(Unaudited)  
(In thousands)

	Common Stock						Paid-In Capital	Retained Earnings	Total Equity
	Issued		In treasury		Shares	\$			
	Shares	\$	Shares	\$					
<b>Balance, January 1, 2026</b>	17,274	\$ 6,509	(2,042)	\$ (13,214)	\$ 3,843	\$ 88,681	\$ 85,819		
Issuance of common Stock	–	–	50	325	(761)	–	(436)		
Equity award settled in cash	–	–	–	–	(283)	–	(283)		
Stock-based compensation	–	–	–	–	548	–	548		
Net income	–	–	–	–	–	4,674	4,674		
<b>Balance, March 31, 2026</b>	<u>17,274</u>	<u>\$ 6,509</u>	<u>(1,992)</u>	<u>\$ (12,889)</u>	<u>\$ 3,347</u>	<u>\$ 93,355</u>	<u>\$ 90,322</u>		

See accompanying notes to consolidated financial statements

**LIFEWAY FOODS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**  
*(In thousands)*

	<b>Three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
<b><u>Cash flows from operating activities:</u></b>		
Net income	\$ 4,674	\$ 3,540
<i>Adjustments to reconcile net income to operating cash flow:</i>		
Depreciation and amortization	1,055	937
Stock-based compensation	548	326
Non-cash interest expense	5	3
Bad debt expense	87	–
Gain on sale of investments	–	(3,352)
Fair value loss on investment	–	20
<i>(Increase) decrease in operating assets:</i>		
Accounts receivable	(6,429)	(1,259)
Inventories	438	(563)
Prepaid expenses and other current assets	228	136
Refundable income taxes	283	631
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	3,397	1,401
Accrued expenses	(1,282)	(2,765)
Accrued income taxes	1,300	795
Other long-term liabilities	74	–
<b>Net cash provided by (used in) operating activities</b>	<b>4,378</b>	<b>(150)</b>
<b><u>Cash flows from investing activities:</u></b>		
Purchases of property and equipment	(11,041)	(2,219)
Proceeds from sale of investments	–	5,152
<b>Net cash (used in) provided by investing activities</b>	<b>(11,041)</b>	<b>2,933</b>
<b><u>Cash flows from financing activities:</u></b>		
Borrowings under line of credit	8,000	–
Repayments under line of credit	(1,000)	–
Payment of deferred financing costs	(21)	(65)
Equity award settled in cash	(283)	–
<b>Net cash provided by (used in) financing activities</b>	<b>6,696</b>	<b>(65)</b>
<b>Net increase in cash and cash equivalents</b>	<b>33</b>	<b>2,718</b>
Cash and cash equivalents at the beginning of the period	5,571	16,728
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 5,604</b>	<b>\$ 19,446</b>
<b>Supplemental cash flow information:</b>		
Cash paid for income taxes, net of (refunds)	\$ –	\$ –
Cash paid for interest	\$ 45	\$ 11
<b>Non-cash investing activities</b>		
Accrued purchase of property and equipment	\$ 216	\$ 239
Right-of-use assets obtained in exchange for lease obligations	\$ 119	\$ 8

See accompanying notes to consolidated financial statements

**LIFEWAY FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
*(In thousands, except per share data)*

**Note 1 – Basis of Presentation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”) for interim financial information, and do not include certain information and footnote disclosures required for complete, audited financial statements. In the opinion of management, these statements include all adjustments necessary for a fair presentation of the results of all interim periods reported herein. The consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2025. Results of operations for any interim period are not necessarily indicative of future or annual results.

Principles of consolidation

The consolidated financial statements include the accounts of Lifeway Foods, Inc. and all its wholly owned subsidiaries (collectively “Lifeway” or the “Company”). All significant intercompany accounts and transactions have been eliminated.

**Note 2 – Summary of Significant Accounting Policies**

Our significant accounting policies, which are summarized in detail in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025, have not materially changed. The following is a description of certain of our significant accounting policies.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made in preparing the consolidated financial statements include the reserve for promotional allowances, the valuation of goodwill and intangible assets, stock-based and incentive compensation, and deferred income taxes.

Cash and cash equivalents

Lifeway considers cash and all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates or equals fair value due to their short-term nature.

Lifeway from time to time may have bank deposits in excess of insurance limits of the Federal Deposit Insurance Corporation. The Company places its cash and cash equivalents with high credit quality financial institutions. Lifeway has not experienced any losses in such accounts and believes the financial risks associated with these financial instruments are minimal.

Advertising and promotional costs

Advertising costs are expensed as incurred and reported in Selling expense in the Company’s consolidated statement of operations. Total advertising expense was \$3,375 and \$2,136 for the three months ended March 31, 2026 and 2025, respectively.

Fair value measurements

In February 2025, the Company’s \$1,800 equity investment in Simple Mills was liquidated as a result of the sale of Simple Mills. The Company received cash proceeds of \$5,152 and recognized a gain on the sale of investment of \$3,352 during the three months ended March 31, 2025.

Segments

The Company is managed as a single reportable segment. The Chief Executive Officer, who is the Company’s Chief Operating Decision Maker (“CODM”), reviews financial information on an aggregate basis for purposes of allocating resources and assessing financial performance, as well as for making strategic operational decisions and managing the organization. Substantially all of Lifeway’s consolidated revenues relate to the sale of cultured dairy products that it produces using the same processes and materials and are sold to consumers through a common network of distributors and retailers in the United States.

## Recent accounting pronouncements

### *Issued but not yet effective*

In November 2024, the Financial Accounting Standards Board (“FASB”) issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Topic 220-40): Disaggregation of Income Statement Expenses. The new standard requires additional disclosure of certain amounts included in the expense captions presented on the Statement of Operations as well as disclosures about selling expenses. The new standard is effective on a prospective basis, with the option for retrospective application, for our annual period ending December 31, 2027, and our interim periods during the fiscal year ending December 31, 2028. The new standard does not affect recognition or measurement in the Company’s consolidated financial statements. Upon adoption, the impact of ASU 2024-03 will be limited to certain notes to the Consolidated Financial Statements.

### **Note 3 – Inventories, net**

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
Ingredients	\$ 3,816	\$ 4,141
Packaging	3,172	3,452
Finished goods	4,464	4,297
Total inventories, net	<u>\$ 11,452</u>	<u>\$ 11,890</u>

### **Note 4 – Property, Plant and Equipment, net**

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
Land	\$ 1,565	\$ 1,565
Buildings and improvements	24,508	24,497
Machinery and equipment	43,675	43,433
Vehicles	477	477
Office equipment	694	694
Construction in process	30,031	19,803
	<u>100,950</u>	<u>90,469</u>
Less accumulated depreciation	(43,106)	(42,187)
Total property, plant and equipment, net	<u>\$ 57,844</u>	<u>\$ 48,282</u>

### **Note 5 – Goodwill and Intangible Assets**

#### *Goodwill*

Goodwill consisted of the following:

	<b>Total</b>
<u>Balance at December 31, 2025</u>	
Goodwill	\$ 12,948
Accumulated impairment losses	(1,244)
	<u>\$ 11,704</u>
<u>Balance at March 31, 2026</u>	
Goodwill	\$ 12,948
Accumulated impairment losses	(1,244)
	<u>\$ 11,704</u>

#### *Intangible Assets*

Other intangible assets, net consisted of the following:

	<b>March 31, 2026</b>			<b>December 31, 2025</b>		
	<b>Gross Carrying</b>	<b>Accumulated</b>	<b>Net Carrying</b>	<b>Gross Carrying</b>	<b>Accumulated</b>	<b>Net Carrying</b>

	<u>Amount</u>	<u>Amortization</u>	<u>Amount</u>	<u>Amount</u>	<u>Amortization</u>	<u>Amount</u>
Recipes	\$ 44	\$ (44)	\$ –	\$ 44	\$ (44)	\$ –
Customer lists and other customer related intangibles	4,529	(4,529)	–	4,529	(4,529)	–
Customer relationships	3,385	(1,732)	1,653	3,385	(1,692)	1,693
Brand names	7,948	(3,918)	4,030	7,948	(3,823)	4,125
Formula	438	(438)	–	438	(438)	–
Total intangible assets, net	<u>\$ 16,344</u>	<u>\$ (10,661)</u>	<u>\$ 5,683</u>	<u>\$ 16,344</u>	<u>\$ (10,526)</u>	<u>\$ 5,818</u>

Estimated amortization expense on intangible assets for the next five years is as follows:

<u>Year</u>	<u>Amortization</u>
Nine months ended December 31, 2026	\$ 405
2027	\$ 540
2028	\$ 540
2029	\$ 540
2030	\$ 540

The weighted-average remaining amortization expense period for the customer relationship and brand name intangible assets is 10.3 and 10.6 years, respectively, as of March 31, 2026. The weighted-average remaining amortization expense period for total intangible assets is 10.5 years as of March 31, 2026.

#### Note 6 – Accrued Expenses

Accrued expenses consisted of the following:

	<u>March 31, 2026</u>	<u>December 31, 2025</u>
Payroll and incentive compensation	\$ 3,416	\$ 4,386
Real estate taxes	372	483
Utilities	239	189
Current portion of operating lease liabilities	127	106
Other	435	249
Total accrued expenses	<u>\$ 4,589</u>	<u>\$ 5,413</u>

#### Note 7 – Debt

##### *Revolving Credit Facility*

On February 5, 2025, the Company entered into the Fifth Modification to the Amended and Restated Loan and Security Agreement (the “Fifth Modification”) with its current lender. The Fifth Modification, among other things, (i) increased the commitment for revolving loans under the Credit Agreement from \$5,000 to \$25,000, with interest payable at either the lender Base Rate (the Prime Rate minus 1.00%) or the SOFR plus 1.75%, (ii) extended the termination date of the Credit Agreement to February 5, 2028, (iii) replaced the quarterly minimum working capital financial covenant with a financial covenant to maintain a maximum cash flow leverage ratio of no greater than 2.00 to 1.00 for each fiscal quarter commencing with the fiscal quarter ending March 31, 2025, (iv) increased the quarterly unused revolving line of credit fee to 0.25%, and (v) increased the letter of credit fee to 1.00%. The remaining material terms and conditions of the Credit Agreement remain substantially unchanged. The Company had no outstanding borrowings at the time of entry into the Fifth Modification.

On December 29, 2025, the Company entered into the Sixth Modification to the Amended and Restated Loan and Security Agreement (the “Sixth Modification”) with its current lender. The Sixth Modification, provides for, among other things, (i) modification of the Fixed Charge Coverage Ratio only for the period from December 31, 2025 through June 30, 2027 to exclude the Waukesha, WI unfinanced capital expenditures attributable to plant optimization and manufacturing capacity expansion as approved by Lender, up to \$50,000 (ii) modification of the Change of Control definition to reflect that specified changes to the Company’s board of directors do not constitute a Change of Control and (iii) extended the termination date of the Credit Agreement to February 5, 2029. The remaining material terms and conditions of the Credit Agreement remain substantially unchanged. The Company had no outstanding borrowings at the time of entry into the Sixth Modification.

As of March 31, 2026, the Company had \$7,000 outstanding under the Revolving Credit Facility. The Company had \$18,000 available for future borrowings under the Revolving Credit Facility as of March 31, 2026. Lifeway's interest rate on debt outstanding under the Revolving Credit Facility as of March 31, 2026 was 5.54%.

Lifeway was in compliance with the fixed charge coverage ratio and maximum cash flow leverage ratio covenants at March 31, 2026.

## Note 8 – Leases

The Company leases certain machinery and equipment with fixed base rent payments and variable costs based on usage. Remaining lease terms for these leases range from less than one year to six years. The Company includes lease extension options, if applicable and reasonably certain to be exercised, in the calculation of the right-of-use asset and lease liabilities. Lifeway includes only fixed payments for lease components in the measurement of the right-of-use asset and lease liability. Variable lease payments are those that vary because of changes in facts or circumstances occurring after the commencement date, other than the passage of time. There are no residual value guarantees. Lifeway does not currently have leases which meet the finance lease classification as defined under ASC 842.

Lifeway treats contracts as a lease when the contract conveys the right to use a physically distinct asset for a period of time in exchange for consideration, it directs the use of the asset and obtains substantially all the economic benefits of the asset.

Right-of-use assets and lease liabilities are measured and recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Lifeway has elected the practical expedient to combine lease and non-lease components into a single component for all of its leases. When the Company is unable to determine an implicit interest rate, it uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments for those leases. Lifeway includes options to extend or terminate the lease in the measurement of the right-of-use asset and lease liability when it is reasonably certain that it will exercise such options. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The Company does not record leases with an initial term of 12 months or less on the balance sheet. Expense for these short-term leases is recorded on a straight-line basis over the lease term. Total lease expense was \$62 and \$37 (including short term leases) for the three months ended March 31, 2026 and 2025, respectively.

Future maturities of lease liabilities were as follows:

<u>Year</u>	<u>Operating Leases</u>
Nine months ended December 31, 2026	\$ 132
2027	169
2028	153
2029	106
2030	78
Thereafter	41
Total lease payments	<u>679</u>
Less: Interest	(126)
Present value of lease liabilities	<u>\$ 553</u>

The weighted-average remaining lease term for its operating leases was 4.3 years as of March 31, 2026. The weighted average discount rate of its operating leases was 9.70% as of March 31, 2026. Cash paid for amounts included in the measurement of lease liabilities was \$45 and \$19 for the three months ended March 31, 2026 and 2025, respectively.

## Note 9 – Commitments and contingencies

### *Litigation*

Lifeway is involved in various legal proceedings, claims, disputes, regulatory matters, audits, and proceedings arising in the ordinary course of, or incidental, to the Company's business, including commercial disputes, product liabilities, intellectual property matters and employment-related matters.

Lifeway records provisions in the consolidated financial statements for pending legal matters when it believes it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. The Company evaluates, on a periodic basis, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and estimable, it does not establish an accrued liability. Currently, none of its accruals for outstanding legal matters are material individually or in the aggregate to its financial position and it is management's opinion that the ultimate resolution of these outstanding legal matters will not have a material adverse effect on its business, financial condition, results of operations, or cash flows. However, if the Company is ultimately required to make payments in connection with an

adverse outcome, it is possible that such contingency could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

#### Note 10 – Income taxes

Income taxes were recognized at effective rates of 25.3% and 28.7% for the three months ended March 31, 2026 and 2025, respectively. The change in the Company's effective tax rate is primarily driven by the increase in pre-tax book income and changes in the amount of non-deductible officer compensation and non-deductible stock-based compensation expense.

The Company calculates the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate for the full year, excluding unusual or infrequently occurring discrete items, and applies that rate to income (loss) before provision for income taxes for the period.

The Company's effective tax rate may change from period to period based on recurring and non-recurring factors including the relative mix of pre-tax earnings (or losses), the jurisdictional mix of earnings, enacted tax legislation, state income taxes, the impact of non-deductible items, changes in valuation allowances, settlement of tax audits, and the expiration of the statute of limitations in relation to unrecognized tax benefits. The Company records discrete income tax items such as enacted tax rate changes and completed tax audits in the period in which they occur.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was signed into law, which includes a broad range of tax reform provisions that may affect the Company's financial results. The OBBBA changes to corporate taxation include, but are not limited to, 100% bonus depreciation for purchases of qualified property, an elective deduction for domestic research and experimental expenditures, changes to the definition of adjusted taxable income for purposes of determining the interest deduction limitation under Internal Revenue Code Section 163(j), and a more favorable tax rate on Foreign-Derived Deduction Eligible Income and income from non-U.S. subsidiaries (Net CFC Tested Income). The OBBBA does not have a material impact on our estimated annual effective tax rate. Management is assessing the impact on cash flows for the current fiscal year.

#### Note 11 – Stock-based and Other Compensation

##### *Employee Incentive and Non-Employee Director Plans*

The Board of Directors adopted, and the Company's stockholders approved, the "Lifeway Foods, Inc. 2022 Omnibus Incentive Plan" (the "Plan"). Under the Plan, the Compensation Committee may grant awards of various types of compensation, including nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards to qualifying employees. The maximum number of shares authorized to be awarded under the Plan is 3.25 million. As of March 31, 2026, 2.57 million shares remain available to award under the Plan.

Lifeway stockholders approved the 2022 Non-Employee Director Equity and Deferred Compensation Plan (the "2022 Director Plan"), which authorizes the grant of restricted stock units. The maximum aggregate number of shares that may be issued under the 2022 Director Plan is 500 thousand. As of March 31, 2026, 379 thousand shares remain available to award under the 2022 Director Plan.

Total compensation expense related to stock-based payments and the related income tax benefit recognized in net income are as follows:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2026</b>	<b>2025</b>
	<b>(In Thousands)</b>	
Compensation expense related to stock-based payments	\$ 548	\$ 326
Related income tax benefit	154	91

##### *Stock Options*

The following table summarizes stock option activity during the three months ended March 31, 2026:

<b>Options</b>	<b>Weighted</b>	<b>Weighted</b>	<b>Aggregate</b>
<b>(In thousands)</b>	<b>average</b>	<b>average</b>	<b>intrinsic value</b>
<b>Options</b>	<b>exercise price</b>	<b>remaining</b>	<b>intrinsic value</b>
<b>(In thousands)</b>	<b>exercise price</b>	<b>contractual life</b>	<b>intrinsic value</b>
Outstanding at December 31, 2025	13	\$ 9.57	0.49
Granted	–	–	–
Exercised	–	–	–

Forfeited	—	—	—	—
Outstanding at March 31, 2026	<u>13</u>	<u>\$ 9.57</u>	<u>0.24</u>	<u>\$ 128</u>
Exercisable at March 31, 2026	13	\$ 9.57	0.24	\$ 128

#### Restricted Stock Units

Restricted stock unit awards generally vest in approximately three equal installments on each yearly anniversary of the grant date. Certain non-employee directors have elected to defer receipt of their awards until their departure from the Board of Directors.

The following table summarizes restricted stock unit activity during the three months ended March 31, 2026.

	<u>Restricted Stock Units</u>	<u>Weighted Average Grant Date Fair Value</u>
	(In thousands)	
Nonvested, at December 31, 2025	171	\$ 11.55
Granted	9	21.50
Shares issued upon vesting	(23)	10.22
Shares settled in cash	(13)	6.25
Forfeited	—	—
Nonvested, at March 31, 2026	<u>144</u>	<u>\$ 12.90</u>
Earned and deferred at March 31, 2026	<u>90</u>	<u>\$ 9.44</u>

Unrecognized compensation expense related to nonvested restricted stock units was \$759 as of March 31, 2026 and will be recognized over a weighted average period of 1.1 years. The grant date fair value of the awards is equal to the Company's closing price on the grant date.

#### Performance Units

Performance unit awards are granted to certain members of management. These awards include both service and performance conditions.

For performance unit awards granted in fiscal years 2024 through 2026, performance goals are established upfront and are measured over a cumulative three-year measurement period. The performance goals are 1) 3-year cumulative net revenue, and 2) 3-year cumulative adjusted EBITDA. The target number of performance unit awards are weighted 50% on net revenue and 50% on adjusted EBITDA. Participants may earn more or less than the target number of units, and are bound by minimum and maximum thresholds of net revenue and adjusted EBITDA. The PSU awards will be earned and will vest, if at all, after the end of the three-year measurement period. These awards will be converted to stock upon vesting.

The following table summarizes performance unit activity during the three months ended March 31, 2026.

	<u>Performance Units</u>	<u>Weighted Average Grant Date Fair Value</u>
	(In thousands)	
Nonvested, at December 31, 2025	199	\$ 12.10
Granted <sup>(1)</sup>	70	10.78
Shares issued upon vesting	(47)	6.88
Forfeited	—	—
Nonvested, at March 31, 2026	<u>222</u>	<u>12.79</u>

<sup>(1)</sup> Includes 51 thousand additional shares granted in connection with the vesting of the 2023 award in 2026 due to above-target performance in accordance with the terms of the award.

Unrecognized compensation expense related to nonvested performance units is estimated to be approximately \$1,627 as of March 31, 2026 and are expected to be recognized over a weighted average period of 1.4 years. The grant date fair value of the awards is equal to the Company's closing price on the grant date.

#### Deferred Time-Vested and Performance-Based Cash Awards

On March 6, 2026, the Company granted deferred cash awards, consisting of time-vested and performance-based awards, to the Chief Executive Officer and Chief of Staff. These awards were issued as part of the Company's fiscal-year 2026 long-term incentive program,

structured as cash awards to comply with the Company’s contractual obligations prohibiting the issuance of equity to the Chief Executive Officer and certain of her affiliates.

The deferred time-vested cash awards vest in approximately three equal installments on each yearly anniversary of the grant date.

The deferred performance-based cash award performance goals are established upfront and are measured over a cumulative three-year measurement period. The performance goals are 1) 3-year cumulative net revenue, and 2) 3-year cumulative adjusted EBITDA. The target cash awards are weighted 50% on net revenue and 50% on adjusted EBITDA. Participants may earn more or less than the target cash award, and are bound by minimum and maximum thresholds of net revenue and adjusted EBITDA. The deferred performance-based cash awards will be earned and will vest, if at all, after the end of the three-year measurement period.

#### *Retirement Benefits*

Lifeway has a defined contribution plan which is available to substantially all full-time employees. Under the terms of the plan, the Company matches employee contributions under a prescribed formula. For the three months ended March 31, 2026 and 2025, total contribution expense recognized in the consolidated statements of operations was \$251 and \$261, respectively.

#### **Note 12 - Earnings Per Share**

The following table summarizes the effects of the share-based compensation awards on the weighted average number of shares outstanding used in calculating diluted earnings per share:

	<b>Three Months Ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
	<b>(In Thousands)</b>	
Weighted average common shares outstanding	15,257	15,134
Assumed exercise/vesting of equity awards	302	199
Weighted average diluted common shares outstanding	<u>15,559</u>	<u>15,333</u>

#### **Note 13 – Disaggregation of Revenue and Significant Customers**

The Company has one reportable segment, which manufactures and distributes cultured dairy products. Our products are produced using the same processes and materials and are sold to consumers through a common network of distributors and retailers. The Company derives revenue primarily in North America and manages the business activities on a consolidated basis. The business activities include selling cultured dairy products across various channels including retail-direct, distributor, and direct store delivery in a refrigerated format. We operate our business with a centralized financial systems infrastructure, and we share centralized resources for procurement and general and administrative activities. The accounting policies of the segment are the same as those described in the Summary of Significant Accounting Policies for the Company. Refer to Note 1 for additional information.

The Chief Executive Officer (“CEO”) has been identified as our Chief Operating Decision Maker (“CODM”). The Company manages operations on a company-wide basis, thereby making determinations as to the allocation of resources as one segment. The CODM uses consolidated single-segment financial information to assess performance for the segment and decides how to allocate resources based on the Company’s consolidated net income (loss), which is reported on the Consolidated Statement of Operations. The measure of segment assets is reported on the Consolidated Balance Sheet as total assets.

#### *Products from which the reportable segment derives its revenue*

Lifeway’s primary product is drinkable kefir. The Company manufactures (directly or through a co-manufacturer) and markets products under the Lifeway, Fresh Made, and GlenOaks Farms brand names, as well as under private labels on behalf of certain customers.

The Company’s product categories are:

- Drinkable kefir, a cultured dairy product sold in a variety of organic and non-organic sizes, flavors, and types.
- European-style soft cheeses, including farmer cheese, white cheese, and Sweet Kiss.
- Cream and other, which primarily consists of cream, a byproduct of raw milk processing.
- Drinkable yogurt, sold in a variety of sizes and flavors.
- ProBugs, a line of kefir products designed for children.
- Other dairy, which primarily consists of Fresh Made butter and sour cream.

Net sales of products by category were as follows for the three months ended March 31:

<b>In thousands</b>	<b>2026</b>		<b>2025</b>	
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
Drinkable Kefir other than ProBugs	55,090	87%	38,050	83%
Cheese	4,684	7%	3,812	8%
Cream and other	2,049	3%	2,459	5%
Drinkable Yogurt	584	1%	634	1%
ProBugs Kefir	325	1%	746	2%
Other dairy	280	1%	390	1%
Net Sales	<u>63,012</u>	<u>100%</u>	<u>46,091</u>	<u>100%</u>

### ***Significant Customers***

Sales are predominately to companies in the retail food industry located within the United States. Two major customers accounted for a total of 26% and 24% of net sales for the three months ended March 31, 2026 and 2025, respectively.

### ***Geographic Information***

Net sales outside the of the United States represented less than 1% of total consolidated net sales for the three months ended March 31, 2026 and 2025. Net sales are determined based on the destination where the products are shipped by Lifeway.

All the Company's long-lived assets are in the United States.

### **Note 14 – Shareholder Rights Plan**

On November 4, 2024, the Company adopted a Shareholder Rights Agreement (the "Rights Agreement") and designated 40 shares of preferred stock as Series A Junior Participating Preferred Stock, none of which are issued or outstanding as of December 31, 2025. Pursuant to the Rights Agreement, the Company's board of directors declared a dividend of one preferred share purchase right (each a "Right") for each outstanding share of Company common stock to stockholders of record as of the close of business on November 18, 2024. Each Right entitles its holder, subject to the terms of the Rights Agreement, to purchase from the Company one one-thousandth of one share of Series A Junior Participating Preferred Stock, no par value, of the Company at an exercise price of \$130.00 per Right, subject to adjustment. Rights will attach to any shares of Company common stock that become outstanding after November 18, 2024 and prior to the earlier of the Distribution Time (as defined in the Rights Agreement) and the redemption or expiration of the Rights, and in certain other circumstances described in the Rights Agreement.

On October 29, 2025, the Company entered into Amendment No. 1 to the Shareholder Rights Agreement (the "Rights Agreement"). The Rights Agreement was originally scheduled to expire at the end of November 4, 2025. The Company entered into the Amendment, which extended the expiration to the end of October 29, 2026 (and made other conforming changes to the Rights Agreement). No other material changes were made to the Rights Agreement.

### **Note 15 – Organic Milk Supply**

To increase the supply of organic milk available to the Company for the manufacture of finished goods, the Company purchased mature dairy cows (or the "herd") which will be managed by a third-party dairy facility (the "Dairy"), and entered into a supply and purchase agreement ("SPA") with a COOP (the "COOP") to purchase the milk produced by the herd. The Company purchased 799 mature dairy cows during 2025 for \$2,870.

As amended in September 2025, the Company entered into a sixty month agreement (the "Herd Agreement") with a third-party Dairy who will manage care of the herd, milk the herd, and sell the milk to the COOP under the SPA, with a right to purchase the herd at the end of the agreement period for a nominal amount. Beginning December 1, 2025, the Dairy will make monthly payments to Lifeway over the five year agreement period in exchange for its right to possess and control the herd, including the right to sell milk produced by the herd to the COOP.

The herd agreement is treated as a sale of non-financial assets to a party that is not a customer. The Company will recognize a sale upon the delivery of each herd to the Dairy, with interest income recognized over the agreement period. The Company has recorded \$824 in prepaid and other current assets and \$2,046 in other assets as of March 31, 2026 related to the herd agreement with no recorded gain or loss on sale. The Company records the purchases of dairy cows as investing outflows, principal payments received as investing inflows and interest income as operating inflows on the statement of cash flows.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in this Form 10-Q is provided as a supplement to, and should be read in conjunction with, our audited consolidated financial statements, the accompanying notes, and the MD&A included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (the "Form 10-K"). Unless otherwise specified, any description of "our", "we", and "us" in this MD&A refer to Lifeway Foods, Inc. ("Lifeway") and our wholly-owned subsidiaries.

### *Cautionary Statement Regarding Forward-Looking Statements*

In addition to historical information, this quarterly report contains "forward-looking" statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of words such as "anticipate," "from time to time," "intend," "plan," "ongoing," "realize," "should," "may," "could," "believe," "future," "depend," "expect," "will," "result," "can," "remain," "assurance," "subject to," "require," "limit," "impose," "guarantee," "restrict," "continue," "become," "predict," "likely," "opportunities," "effect," "change," "predict," and "estimate," and similar terms or terminology, or the negative of such terms or other comparable terminology. Examples of forward-looking statements include, among others, statements we make regarding:

- Expectations of the effect on our financial condition of claims, litigation, environmental costs, contingent liabilities and governmental and regulatory investigations and proceedings, if any;
- Strategy for acquisitions, customer retention, growth, product development, market position, financial results and reserves;
- Estimates of the amounts of sales allowances and discounts to our customers and consumers;
- Our belief that we will maintain compliance with our loan agreements and have sufficient liquidity to fund our business operations.

Forward looking statements are based on management's beliefs, assumptions, estimates and observations of future events based on information available to our management at the time the statements are made and include any statements that do not relate to any historical or current fact. These statements are not guarantees of future performance and they involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from what is expressed, implied or forecast by our forward-looking statements due in part to the risks, uncertainties, and assumptions that include:

- Changes in the pricing of commodities;
- The actions and decisions of our competitors and customers, including those related to price competition;
- Our ability to successfully implement our business strategy;
- The effects of government regulation;
- Disruptions to our supply chain, or our manufacturing and distribution capabilities, including those due to cybersecurity threats;
- Adverse economic conditions in the United States, our primary market, or any of the other jurisdictions in which we conduct significant business in the future, and resultant changes in consumer spending; and
- Such other factors as discussed throughout Part I, Item 1 "Business"; Part I, Item 1A "Risk Factors"; and Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2025, Part II, Item 1A of this Form 10-Q and that are described from time to time in our other periodic reports filed with the SEC.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. The Company intends these forward-looking statements to speak only at the date made. Except as otherwise required to be disclosed in periodic reports required to be filed by public companies with the SEC pursuant to the SEC's rules, Lifeway has no duty to update these statements, and it undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **Business Overview**

Lifeway was founded in 1986 by Michael Smolyansky, ten years after he and his family emigrated from Eastern Europe to the United States. Lifeway was the first to successfully introduce kefir to the U.S. consumer on a commercial scale, initially catering to ethnic consumers in the Chicago, Illinois metropolitan area. Lifeway has grown to become the largest producer and marketer of kefir in the U.S. and an important player in the broader market spaces of probiotic-based products and natural, "better for you" foods.

Our primary product is drinkable kefir, a cultured dairy product. Lifeway Kefir is tart and tangy, high in protein, calcium and vitamin D. The Company manufactures (directly or through a co-manufacturer) and markets products under the Lifeway, Fresh Made, and GlenOaks Farms brand names, as well as under private labels on behalf of certain customers.

The Company's product categories are:

- Drinkable Kefir, a cultured dairy product sold in a variety of organic and non-organic sizes, flavors, and types.
- European-style soft cheeses, including farmer cheese, white cheese, and Sweet Kiss.
- Cream and other, which primarily consists of cream, a byproduct of raw milk processing.
- Drinkable Yogurt, sold in a variety of sizes and flavors.
- ProBugs, a line of kefir products designed for children.
- Other Dairy, which primarily consists of Fresh Made butter and sour cream.

## Business Trends

### *Current Macroeconomic Environment*

We continue to monitor macroeconomic conditions and global trade developments, including inflation in key input costs, recently implemented tariffs, and the potential for additional or modified tariffs or export controls. These evolving global trade policies may contribute to increased supply chain complexity, commodity cost volatility, and broader economic uncertainty. We do not currently expect these conditions to have a material adverse impact on our operations or financial results. We are primarily a United States based manufacturer sourcing a vast majority of our inputs domestically. In addition, all our domestically produced products are sold to customers in the United States. We expect the accelerating consumer focus on health and wellness to drive increased demand for our products.

## Results of Operations

### *Three Months Ended March 31, 2026 Compared to Three Months Ended March 31, 2025*

The following table presents certain information concerning our financial results, including information presented as a percentage of consolidated net sales:

	<b>Three Months Ended March 31,</b>			
	<b>2026</b>		<b>2025</b>	
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>Net sales</b>	<b>63,012</b>	<b>100.0%</b>	<b>46,091</b>	<b>100.0%</b>
Cost of goods sold	44,741	71.0%	34,254	74.3%
Depreciation expense	920	1.5%	802	1.7%
Total cost of goods sold	<u>45,661</u>	<u>72.5%</u>	<u>35,056</u>	<u>76.0%</u>
<b>Gross profit</b>	<b>17,351</b>	<b>27.5%</b>	<b>11,035</b>	<b>24.0%</b>
Selling expenses	6,188	9.8%	4,698	10.2%
General & administrative expense	4,703	7.5%	4,628	10.0%
Amortization expense	135	0.2%	135	0.3%
<b>Total operating expenses</b>	<b>11,026</b>	<b>17.5%</b>	<b>9,461</b>	<b>20.5%</b>
<b>Income from operations</b>	<b>6,325</b>	<b>10.0%</b>	<b>1,574</b>	<b>3.5%</b>
Other income (expense):				
Interest expense	(68)	(0.1%)	(14)	0.0%
Gain on sales of investments	–	0.0%	3,352	7.3%
Other income (expense), net	–	0.0%	54	0.1%
Total other income (expense)	<u>(68)</u>	<u>(0.1%)</u>	<u>3,392</u>	<u>7.4%</u>
<b>Income before provision for income taxes</b>	<b>6,257</b>	<b>9.9%</b>	<b>4,966</b>	<b>10.9%</b>
Provision for income taxes	1,583	2.5%	1,426	3.1%
<b>Net income</b>	<b>4,674</b>	<b>7.4%</b>	<b>3,540</b>	<b>7.8%</b>

## Net Sales

Net sales were at \$63,012 for the three-month period ended March 31, 2026, an increase of \$16,921 or 36.7% versus prior year. The net sales increase was primarily driven by higher volumes of our branded drinkable kefir.

### **Gross Profit**

Gross profit as a percentage of net sales was 27.5% and 24.0% in the three-month period ended March 31, 2026 and 2025, respectively. The increase versus the prior year was driven by the favorable impact of milk pricing and manufacturing efficiencies resulting from increased production volumes.

### **Selling Expenses**

Selling expenses increased by \$1,490 to \$6,188 during the three-month period ended March 31, 2026 from \$4,698 during the same period in 2025. The increase is primarily a result of our continued investments in marketing activities to drive brand awareness and sales volumes. Selling expenses as a percentage of net sales decreased to 9.8% in the three-month period ended March 31, 2026 from 10.2% during the same period in 2025.

### **General and Administrative Expenses**

General and administrative expenses increased \$75 to \$4,703 during the three-month period ended March 31, 2026 from \$4,628 during the same period in 2025. General and administrative expenses as a percentage of net sales decreased to 7.5% in the three-month period ended March 31, 2026 from 10.0% during the same period in 2025. During the first quarter of 2025, the Company incurred approximately \$985 of legal and professional fees associated with Danone's unsolicited purchase proposal and non-routine stockholder action.

### **Provision for Income Taxes**

Income taxes were recognized at effective rates of 25.3% and 28.7% for the three months ended March 31, 2026 and 2025, respectively. The change in the Company's effective tax rate is primarily driven by the increase in pre-tax book income and changes in the amount of non-deductible officer compensation and non-deductible stock-based compensation expense.

The Company's effective tax rate may change from period to period based on recurring and non-recurring factors including the relative mix of pre-tax earnings (or losses), the jurisdictional mix of earnings, enacted tax legislation, state income taxes, the impact of non-deductible items, changes in valuation allowances, settlement of tax audits, and the expiration of the statute of limitations in relation to unrecognized tax benefits.

### **Liquidity and Capital Resources**

Management assesses the Company's liquidity in terms of its ability to generate cash to fund its operating, investing, and financing activities. The Company remains in a strong financial position, and believes that its cash flow from operations, revolving credit facility, and cash and cash equivalents will continue to provide sufficient liquidity for its working capital needs, capital resource requirements, and growth initiatives and to ensure the continuation of the Company as a going concern.

If additional borrowings are needed, \$18,000 was available under the Revolving Credit Facility as of March 31, 2026 (see [Note 7, Debt](#)).

We are in compliance with the terms of the Credit Agreement and expect to meet foreseeable financial requirements. The success of our business and financing strategies will continue to provide us with the financial flexibility to take advantage of various opportunities as they arise. To date, we have been successful in generating cash and obtaining financing as needed. However, if a serious economic or credit market crisis ensues, it could have a negative effect on our liquidity, results of operations and financial condition.

The Company's most significant ongoing short-term cash requirements relate primarily to funding operations (including expenditures for raw materials, labor, manufacturing and distribution, trade and promotions, advertising and marketing, and tax liabilities) as well as expenditures for property, plant and equipment.

Long-term cash requirements primarily relate to funding long-term debt repayments (see Note 7, Debt) and deferred income taxes (see Note 10, Income Taxes, in our Annual Report on Form 10-K).

### **Cash Flow**

The following table is derived from our Consolidated Statement of Cash Flows:

<b>Net Cash Flows Provided By (Used In):</b>	<b>Three months Ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
Operating activities	\$ 4,378	\$ (150)

Investing activities	\$	(11,041)	\$	2,933
Financing activities	\$	6,696	\$	(65)

### *Operating Activities*

Net cash provided by operating activities was \$4,378 during the three-month period ended March 31, 2026 compared to net cash used in operating activities of \$150 in the same period in 2025. The increase was primarily due increased cash earnings, partially offset by the change in working capital.

### *Investing Activities*

Net cash used in investing activities was \$11,041 during the three-month period ended March 31, 2026 compared to net cash provided by investing activities of \$2,933 in the same period in 2025.

The increase in purchases of property and equipment is primarily driven by the expansion of manufacturing capacity and modernization of our Waukesha, Wisconsin facility. This project will enable Lifeway to meet increasing sales demand and will double the facility's manufacturing capacity and improve packaging efficiency, as well as other operational improvements. The Company currently estimates investing approximately \$48,500. As of March 31, 2026, \$31,267 is included on the consolidated balance sheet in property, plant and equipment, with \$3,691 in-service and recorded in machinery and equipment and \$27,576 recorded in construction in process. The cumulative cash paid for this project is \$31,267 as of March 31, 2026. The project will be funded primarily through cash on-hand and cash flow from operations, with further requirements available under the Company's revolving credit facility. The project is expected to be completed during the fourth fiscal quarter of 2026.

The Company received cash proceeds of \$5,152 in the first quarter of 2025 from the sale of our Simple Mills investment.

Our capital spending is focused on three core areas: growth, cost reduction, and facility improvements. Growth capital spending supports capacity expansion and new product innovation and enhancements. Cost reduction and facility improvements support manufacturing efficiency, safety, and productivity. We continue to make capital expenditures primarily to modernize manufacturing facilities and support productivity initiatives.

### *Financing Activities*

Net cash provided by financing activities was \$6,696 and net cash used in financing activities was \$65 during the three-month period ended March 31, 2026 and 2025, respectively. The cash provided by during 2026 primarily represents the line of credit borrowing in connection with the Waukesha Wisconsin facility expansion and modernization project. During the first quarter of 2026, to comply with the Company's contractual obligations prohibiting the Company from issuing equity to the Chief Executive Officer and certain of her affiliates, the Company settled previously vested restricted stock units held by the Chief Executive Officer in cash. The cash used in 2025 represented credit agreement amendment expenses incurred during the first quarter.

### *Debt Obligations*

As of March 31, 2026, the Company had \$7,000 outstanding under the Revolving Credit Facility. The Company had \$18,000 available for future borrowings under the Revolving Credit Facility as of March 31, 2026.

All outstanding amounts under the revolving line of credit bear interest at the Secured Overnight Financing Rate ("SOFR"), plus 1.75% (5.54% as of March 31, 2026). Interest is payable monthly in arrears. Lifeway is also required to pay a quarterly unused line fee of 0.25% on the Revolving Credit Facility, and in conjunction with the issuance of any letters of credit, a letter of credit fee of 1.00%.

The Credit Agreement includes customary representations, warranties, and covenants, including financial covenants requiring the Company to maintain a fixed charge coverage ratio of no less than 1.25 to 1.00, and a maximum cash flow leverage ratio of no greater than 2.00 to 1.00.

The Company is in compliance with all applicable financial debt covenants as of March 31, 2026. See [Note 7](#) to our Consolidated Financial Statements for additional information regarding our indebtedness and related agreements.

### **Recent Accounting Pronouncements**

Information regarding recent accounting pronouncements is provided in Note 2 – Summary of Significant Accounting Policies.

### **Critical Accounting Policies and Estimates**

A description of the Company's critical accounting policies and estimates is contained in its Annual Report on Form 10-K for the year ended December 31, 2025. There were no material changes to the Company's critical accounting policies and estimates in the three months ended March 31, 2026.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable.

### **ITEM 4. CONTROLS AND PROCEDURES.**

#### **Evaluation of Disclosure Controls and Procedures**

The Company has established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission ("SEC"), and such information is accumulated and communicated to management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. Management, together with our CEO and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2026. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2026.

#### **Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended March 31, 2026 that has materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

Information regarding legal proceedings is available in Note 9, Commitment and Contingencies.

### ITEM 1A. RISK FACTORS.

There have been no material changes from the risk factors disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2025.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

### ITEM 5. OTHER INFORMATION.

During the quarter ended March 31, 2026, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

### ITEM 6. EXHIBITS.

<u>No.</u>	<u>Description</u>	<u>Form</u>	<u>Period</u> <u>Ending</u>	<u>Exhibit</u>	<u>Filing</u> <u>Date</u>
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Julie Smolyansky</a>	Filed Herewith			
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Eric Hanson</a>	Filed Herewith			
32.1	<a href="#">Section 1350 Certification of Julie Smolyansky*</a>	Furnished Herewith			
32.2	<a href="#">Section 1350 Certification of Eric Hanson*</a>	Furnished Herewith			
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted in IXBRL, and included in exhibit 101).				

\*The exhibits deemed furnished with this Form 10-Q and are not deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act., whether made before or after the date of the filing of this Form 10-Q and irrespective of any general incorporation language contained in such filing.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**LIFEWAY FOODS, INC.**

Date: May 14, 2026

By: /s/ Julie Smolyansky  
Julie Smolyansky  
Chief Executive Officer, President, and Director  
(Principal Executive Officer)

Date: May 14, 2026

By: /s/ Eric Hanson  
Eric Hanson  
Chief Financial & Accounting Officer  
(Principal Financial and Accounting Officer)