UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2025

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number: 000-17363

LIFEWAY FOODS, INC.

(Exact name of registrant as specified in its charter)

Illinois	**36-3442829**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

6431 West Oakton St., Morton Grove, Illinois 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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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.

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☐ No ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the stock was last sold as of June 30, 2025 ($24.65 per share as quoted on the Nasdaq Global Market) was $132,499,543.

As of March 2, 2026, 15,149,600 shares of the registrant's common stock, no par value, were outstanding.

Portions of the Registrant's definitive proxy statement to be filed no later than 120 days after the close of the fiscal year covered by this report on Form 10-K are incorporated by reference into Part III.

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FORWARD LOOKING STATEMENTS

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, readers are advised that this document, and any document incorporated by reference herein, may contain forward looking statements. Forward looking statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those indicated by the forward looking statements. These statements use words, variations of words, and negatives of words such as "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," and "estimate." Examples of forward looking statements include, but are not limited to, (i) projections of revenues, income or loss, earnings or losses per share, capital expenditures, dividends, capital structure and other financial items, (ii) statements of Lifeway Foods, Inc.'s (which, together with its subsidiaries as the context requires, may be referred to as "Lifeway", the "Company", "our", "we" or "us") plans and objectives, including the introduction of new products, or estimates or predictions of actions by customers, suppliers, competitors or regulatory authorities, (iii) statements of future economic performance, and (iv) statements of assumptions underlying other statements and statements about the Company or its business.

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:

- the actions of our competitors and suppliers, including those related to price competition;
- the actions and decisions of our customers or consumers;
- our ability to successfully implement our business strategy;
- changes in the pricing of commodities;
- the effects of government regulation;

- the impact of proposals to acquire the Company or actions taken by stockholders, including actions related to a possible acquisition of the Company;
- disruptions to our supply chain, or our manufacturing and distribution capabilities, including those due to cybersecurity threats, wars or pandemics; and
- the other risks and uncertainties that are set forth in Item 1, "Business", Item 1A "Risk Factors" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and that are described from time to time in our filings with the U.S. Securities and Exchange Commission (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. We intend 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 us with the SEC, we have no duty to update these statements, and we undertake no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. 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.

Unless otherwise noted herein, all amounts in this Form 10-K are in thousands, except per share numbers.

PRODUCTS

Our primary product is drinkable kefir, a cultured dairy product. Lifeway kefir is tart and tangy, high in protein, calcium and vitamin D.

We manufacture (directly or through co-packers) and market products under the Lifeway, Fresh Made and GlenOaks Farms brand names, as well as under private labels on behalf of certain customers.

Our product categories are:

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

Net sales of products by category were as follows for the years ended December 31:

	2025		2024	
In thousands	$	%	$	%
Drinkable Kefir other than ProBugs	$ 181,423	85%	$ 153,493	82%
Cheese	16,571	8%	14,554	8%
Cream and other	8,693	4%	8,299	4%
Drinkable Yogurt	2,284	1%	5,619	3%
Probugs Kefir	2,214	1%	3,421	2%
Other dairy	1,311	1%	1,434	1%
Net Sales	$ 212,496	100%	$ 186,820	100%

Product innovation and new product development

Lifeway is committed to maintaining its position as the leading producer of kefir and a recognized leader in the market for probiotic products. We routinely evaluate opportunities for new product development, flavors and formulations, improved package design, new product configurations and other innovation avenues. Beyond our core drinkable kefir products, we have an ongoing effort to extend the strength of the Lifeway brand and leverage the capabilities of the Lifeway organization into fresh categories and into additional channels of trade, such as Convenience; Foodservice; Club; and Drug.

Lifeway considers research and development of new products to be a significant part of our overall business philosophy. Where possible, we leverage our existing staff and facilities to conduct our innovation, research, and development efforts, rather than maintaining a dedicated research and development staff and facilities or relying solely on third parties.

PRODUCTION

Manufacturing

During 2025 and 2024, approximately 95% and 94% of our revenue, respectively, was derived from products manufactured at our own facilities. We currently operate the following manufacturing and distribution facilities:

- Morton Grove, Illinois, which produces drinkable kefir and cheese products;
- Waukesha, Wisconsin, which produces drinkable kefir products and from which we warehouse and distribute products;
- Niles, Illinois, which stores and serves as a warehouse and distribution point for products; and
- Philadelphia, Pennsylvania, which produces drinkable kefir, cheese, and other dairy products, from which we warehouse and distribute products.

All our fixed assets associated with manufacturing, storage, and distribution of our products are in the United States.

Co-Packers

In addition to the products manufactured in our own facilities, independent manufacturers ("co-packers") manufacture some of our products. We have a co-packer agreement to manufacture drinkable yogurt and a small percentage of our Lifeway kefir product in California. We have a co-packer agreement to manufacture drinkable kefir in Ireland, to serve our European markets. During 2025 and 2024, approximately 5% and 6% of our revenue, respectively, was derived from products manufactured by co-packers. Our domestic co-packer is Safe Quality Food ("SQF") certified and follows Good Manufacturing Practices ("GMPs"). Additionally, the co-packers are required to ensure our products are manufactured in accordance with our quality specifications and that they are compliant with all applicable laws and regulations.

SALES AND DISTRIBUTION

Sales Organization

We sell our products primarily through our direct sales force, brokers, and distributors. Our sales organization strives to cultivate strong, collaborative relationships with our customers that facilitate favorable shelf placement for our products, which we believe drives sales volumes when combined with our marketing efforts and our brand strength. Our relationships with food brokers provide additional customer coverage as a supplement to our direct sales force.

Distribution inside the United States

Lifeway's products reach the consumer through three primary "route-to-market" pathways:

- Retail-direct;
- Distributor; and
- Direct store delivery ("DSD").

Under the retail-direct channel, we sell our products to retailers and deliver products through either the retailers' carriers or third-party carriers that deliver to such retailers' distribution centers. In turn, our retailers then deliver the products to their respective stores. Under the retail direct-model, optimal product merchandising, assortment and product presentation are attended to by the retailer. Sales to our retail-direct customers represent approximately 51% of our total net sales for the year ended 2025.

Under the distributor channel, we sell our products to distributors and deliver products through either the distributors' carriers or third-party carriers that deliver to such distributors' designated warehouses. In turn, our distributors then sell and ship our products to their retail customers. Our distributors often use a DSD model of their own to make deliveries directly to individual stores, but they also make deliveries to retailers' distribution centers. The distributor attends to optimal product merchandising, assortment, and product presentations at the retail end of the channel, with support from Lifeway's direct sales force and broker network. Sales to our distributor customers represent approximately 47% of our total net sales for year ended 2025.

Under the direct store delivery ("DSD") route to market, we sell our products to retailers and deliver it directly to the store using Company-owned vehicles and a team of Lifeway merchandisers who engage face-to-face with store management to ensure optimal product assortments and presentations. We operate our DSD model in the Chicago, Illinois metropolitan area only. Sales to our DSD customers represent approximately 2% of our total net sales for the year ended 2025.

Distribution outside of the U.S.

Lifeway's primary market is the United States; however, certain distributors based in the United States sell our products to retailers in Mexico, portions of Central and South America, and the Caribbean. Additionally, Lifeway products reach consumers in France, Ireland, and the Middle East under third party co-manufacturing agreements and in-country broker and distributor arrangements. Sales distributed outside the United States represented 7% of net sales for the year ended 2025.

Channel- and Market-Specific Distribution and Broker Representation Arrangements

Lifeway's generally standardized agreements with independent distributors and food brokers allow us the latitude to establish new relationships as opportunities and needs arise. Where appropriate given the relationship, market, and business opportunity, we offer exclusive channels, markets, and/or territories to our distributors and brokers.

We provide our independent distributors with products at wholesale prices for distribution to their retail accounts. Lifeway believes that the prices at which we sell our products to distributors are competitive compared with the prices generally paid by distributors for similar products in the markets served. Due to the perishable nature of our products and the costs to return, we do not offer return privileges to any of our distributors or channel customers; however, from time to time we do provide our customers with allowances for non-saleable product.

Lifeway engages independent food brokers generally on a commission basis, subject in some cases to a minimum commission guarantee. The commissions vary based on the scope of services provided and customers served. Our brokers represent our products to a variety of prospective buyers. These buyers could be specialty stores, retail grocery chains, wholesalers, foodservice operators and distributors, drug chains, convenience stores, club stores, mass merchandisers, industrial users, schools and universities, or military installations. With support from our direct sales force, brokers may provide other value-added services. These may include scheduling and coordinating promotions, merchandising, centralized ordering, and data collection services.

MARKETING

We use a combination of sales incentives, trade promotions, and consumer promotions to market our products.

Sales Incentives and Trade Promotion Allowances

Lifeway offers various sales incentives and trade promotional programs to its retailer and distributor customers from time to time in the normal course of business. These sales incentives and trade promotion programs include rebates, in-store display and demo allowances, allowances for non-saleable product, every day low price ("EDLP") coupons, and other trade promotional activities. Trade promotions support price features, displays, and other merchandising of our products by our retail and distributor customers. We record these arrangements as a reduction to net sales in our consolidated statements of operations.

Consumer Promotions and Marketing Campaigns

We engage in an ongoing and wide variety of marketing and media campaigns – primarily digital and social media, print advertising, television advertising, and event marketing. We complement these marketing and media efforts with industry-related trade shows and in-store promotional events. Our consumer marketing efforts also include cooperative advertising programs with our retail customers and various couponing campaigns, online consumer relationship programs, and other similar forms of promotions.

Our marketing efforts are aimed at stimulating demand with new and existing consumers by elevating awareness and consumption of kefir and probiotics, as well as enhancing our brand equity. Our awareness marketing seeks to promote the positive nutritional attributes and flavor of our products.

COMPETITION

Lifeway competes with a limited number of other domestic kefir producers and consequently faces a small amount of direct competition for kefir products. However, Lifeway's kefir-based products compete with other dairy products, such as spoonable and drinkable yogurt, and, increasingly, with non-dairy probiotic products. Many of our competitors are well-established and have significantly greater financial resources than Lifeway to promote their products.

SUPPLIERS

We purchase our ingredients such as milk, cultures, and other ingredients from unaffiliated suppliers. In addition, we purchase significant quantities of ingredients and product packaging materials and utilities, such as natural gas and electricity to operate our facilities. Purchases are made through purchase orders or contracts, and price, delivery terms, and product specifications vary. The prices for our principal inputs can fluctuate based on economic, weather, and other conditions. Lifeway believes it has access to alternative suppliers for critical ingredients, packaging, and other input requirements.

MAJOR CUSTOMERS

During the year ended December 31, 2025, two customers accounted for a total of 24% of our total net sales. Two customers accounted for a total of 24% of net accounts receivable as of December 31, 2025.

SEGMENTS

Lifeway has determined that it has one reportable segment based on how our chief operating decision maker manages the business and in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing Company performance, has been identified as the Chief Executive Officer. Substantially all our consolidated revenues relate to the sale of cultured dairy products that we produce using the same processes and materials and are sold to consumers through a common network of distributors and retailers in the United States.

INTELLECTUAL PROPERTY

We believe that our rights in our trademarks and service marks are important to our marketing efforts to develop brand recognition and differentiate our brand from our competitors and are a valuable part of our business. We own many domestic and international trademarks and service marks. In addition, we own numerous registered and unregistered copyrights, registered domain names, and proprietary trade secrets, trade dress, technology, know-how, processes, and other proprietary rights that are not registered. Depending on the jurisdiction, trademarks are generally valid as long as they are in use and/or their registrations are properly maintained, and they have not been found to have become generic. Registrations of trademarks can also generally be renewed indefinitely as long as the trademarks are in use. We also have licenses to use certain trademarks inside and outside of the United States and to certain product formulas, all subject to the terms of the agreements under which such licenses are granted. Lifeway's policy is to pursue registration of intellectual property whenever appropriate. We protect our intellectual property rights by relying on a combination of trademark, copyright, trade dress, trade secret and other intellectual property laws, and domain name

dispute resolution systems; as well as licensing agreements, third-party confidentiality, nondisclosure, and assignment agreements; and by policing third-party misuses of our intellectual property. We regard the Lifeway family of trademarks and other intellectual property as having substantial value and as being an important factor in the marketing of our products. The loss of such protection would have a material adverse impact on our operations and share price.

REGULATION

Lifeway is subject to extensive regulation by federal, state, and local governmental authorities. In the United States, agencies governing the manufacture, marketing, and distribution of our products include, among others, the Federal Trade Commission ("FTC"), the United States Food & Drug Administration ("FDA"), the United States Department of Agriculture ("USDA"), the United States Environmental Protection Agency ("EPA"), the Occupational Safety and Health Administration ("OSHA"), and their state and local equivalents. Under various statutes, these agencies prescribe, among other things, the requirements and standards for quality, safety, and representation of our products to consumers. We are also subject to federal laws and regulations relating to our products and production. For example, as required by the National Organic Program ("NOP"), we rely on third parties to certify certain of our products and production locations as organic. Additionally, our facilities are subject to various laws and regulations regarding the release of material into the environment and the protection of the environment in other ways.

Internationally, we are subject to the laws and regulatory authorities of the foreign jurisdictions in which we manufacture and sell our products, including the Food Standards Agency in the United Kingdom; the National Service of Health, Food Safety and Agro-Food Quality (known by its Spanish-language acronym "SENASICA") and the Federal Commission for the Protection from Sanitary Risks ("COFEPRIS") in Mexico; the Food Safety Authority in Ireland; and the European Food Safety Authority, which supports the European Commission, as well as individual country, province, state, and local regulations.

Changes in these laws or regulations, or the introduction of new laws or regulations, could increase the costs of doing business for the Company, our customers, or suppliers, or restrict our actions, causing our results of operations to be adversely affected.

MILK INDUSTRY REGULATION

Our primary raw material is milk. The federal government establishes minimum prices for raw milk purchased in federally regulated areas. Some states have established their own rules for determining minimum prices. The federal government announces prices for raw milk each month. We are subject to federal government regulations that establish minimum prices for milk, and we also pay producer ("over-order") premiums, federal order administration costs, and other related charges that vary by milk product, location, and supplier.

FOOD SAFETY

Lifeway takes appropriate precautions to ensure the safety of our products. In addition to routine inspections by state and federal regulatory agencies, including the USDA and FDA, we have instituted Company-wide systems that address topics such as supplier control; ingredient, packaging, and product specifications; preventive maintenance; pest control; and sanitation. Each of our facilities also has in place a hazard analysis critical control points ("HACCP") plan that identifies critical pathways for contaminants and mandates control measures that must be used to prevent, eliminate or reduce relevant food-borne hazards. To the extent that the federal Food Safety Modernization Act applies to Lifeway's business, we develop food safety plans and implement preventive measures to protect against food contamination. We also maintain a product recall plan, including lot identifiability and traceability measures that allow us to act quickly to reduce the risk of consumption of any product that we suspect may pose a health issue.

We maintain various types of insurance, including product liability and product recall coverages, which we believe to be sufficient to cover potential product liabilities.

We have also implemented the SQF program at our Illinois and Wisconsin facilities. SQF is a fully integrated food safety and quality management protocol designed specifically for the food sector. The SQF Code, based on universally accepted CODEX Alimentarius, HACCP guidelines and the Global Food Safety Initiative ("GFSI") standards, offers a comprehensive methodology to manage food safety and quality simultaneously. SQF certification provides an independent and external validation that a product, process or service complies with international, regulatory and other specified standards.

SEASONALITY

Lifeway's business is not seasonal.

EMPLOYEES

As of December 31, 2025, we employed 293 full-time and two part-time employees, of which 97 were members of a union bargaining unit in Illinois.

AVAILABLE INFORMATION

Lifeway maintains a corporate website at www.lifewayfoods.com and makes available, free of charge, through this website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports that we file with or furnish to the SEC as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information contained on our website is not part of this Report.

ITEM 1A. RISK FACTORS

In evaluating and understanding us and our business, you should carefully consider the risks described below, in conjunction with all of the other information included in this Annual Report on Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Part II, Item 7. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may become important factors that adversely affect our business. If any of the events or circumstances described in the following risk factors actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected.

RISKS RELATED TO OUR BUSINESS

Our product categories face a high level of competition, which could negatively impact our sales and results of operations.

We compete with a limited number of other domestic kefir producers and consequently face a small amount of direct competition for kefir products. However, our kefir-based products compete with other dairy products, notably spoonable and drinkable yogurt, and, increasingly, with non-dairy probiotic products that incorporate kefir cultures but are not kefir. We face significant competition for limited retailer shelf space in each of our product categories. Competition in our product categories is based on product innovation, product quality, price, brand recognition and loyalty, effectiveness of marketing, promotional activity, and our ability to identify and satisfy consumer tastes and preferences. We believe that our brands have benefited in many cases from being the first to introduce products in their categories, and their success has attracted competition from other food and beverage companies that produce branded products, as well as from private label competitors. Some of our competitors, such as Danone, General Mills, Chobani, Hain Celestial Group, Horizon and Nestle, have substantial financial and marketing resources. These competitors and others may be able to introduce innovative products more quickly or market their products more successfully than we can, which could cause our growth rate to be slower than we anticipate and could cause sales to decline.

We also compete with producers of non-dairy products that have lower ingredient and production-related costs. As a result, these competing producers may be able to offer their products to customers at a lower price point. This could cause us to lower our prices, resulting in lower profitability or, in the alternative, cause us to lose market share if we fail to lower prices. Furthermore, private label competitors are generally able to sell their products at lower prices because private label products typically have lower marketing costs than their branded counterparts. If our products fail to compete successfully with other branded or private label offerings, demand for our products and our sales volumes could be negatively impacted.

Additionally, due to high levels of competition, certain of our key retailers may demand price concessions on our products or may become more resistant to price increases for our products. Increased price competition and resistance to price increases have had, and may continue to have, a negative effect on our results of operations.

We may not be able to successfully implement our business strategy for our brands on a timely basis or at all.

We believe that our future success depends, in part, on our ability to implement our strategy of leveraging our existing brands with our new products to maintain our market position in our product categories; drive increased sales; acquire or establish new brands; and create strategic alliances including potential joint ventures. Our ability to implement this strategy depends, among other things, on our ability to:

- enter into distribution and other strategic arrangements with third-party retailers and other potential distributors of our products;
- compete successfully in the product categories in which we choose to operate;
- introduce timely, new, cost-effective, and appealing products and innovate successfully within our existing product categories;
- develop and maintain consumer interest in and demand for our brands considering prevailing consumer tastes and preferences;
- increase our brand recognition and loyalty;
- enter into strategic arrangements with third-party suppliers to obtain necessary raw materials;
- identify suitable acquisition candidates or joint venture partners and accurately assess their value, growth potential, strengths, weaknesses, contingent and other liabilities, and potential profitability;
- negotiate acquisitions and joint ventures on terms acceptable to us; and
- integrate acquired brands, products, or joint ventures into our company and our business strategy.

If we fail to execute these and other important elements of our business strategy, our business and results of operations could be adversely affected.

One key element of our business strategy is to introduce timely, new, cost-effective, and appealing products and to innovate successfully within our existing product categories. However, consumer tastes and preferences change rapidly, and evolve over time. Factors that may affect consumer tastes and preferences include:

- dietary trends and increased attention to nutritional values, such as the sugar, fat, protein, fiber or calorie content of different foods and beverages;
- concerns regarding the health effects of specific ingredients and nutrients, such as sugar, other sweeteners, dairy, soybeans, nuts, oils, vitamins, fiber and minerals;
- concerns regarding the public health consequences associated with obesity, particularly among young people;
- decisions by yogurt and non-dairy beverage manufacturers to mislabel their products as “kefir” in order to benefit from our branding and marketing efforts, a marketing ploy that can cause significant confusion and misunderstanding among consumers; and
- increased awareness of the environmental and social effects of food processing.

Our future investments may not produce the results we expect when we expect them for a variety of reasons including those described herein. Our future product development and innovation will be reliant on our ability to identify and develop potential new growth opportunities. This process is inherently risky and will result in investments of substantial time and resources for which we may not achieve any return or value. Successful product development and innovation is also affected by our ability to launch new or improved products successfully and on a timely and cost-effective basis.

We may have to pay cash, incur debt, or issue equity, equity-linked, or debt securities to fund our business strategy, or may be unable to fund that strategy. Any of these events could adversely affect our financial results and our business. We could experience similar effects if we invest resources in a strategy that ultimately

proves unsuccessful. If, due to a failure of our strategy or any other reason, consumer demand for our products declines, our sales volumes, results of operations, and our business could be negatively affected, and we may not be able to create or sustain growth or successfully implement our business strategy.

Interruption of our supply chain could affect our ability to manufacture or distribute products, could adversely affect our business and sales, and/or could increase our operating costs and capital expenditures.

We have several supply agreements with suppliers and co-packers that require them to provide us with certain ingredients, packaging, other inputs, and finished goods. For certain items, we rely on a single supplier or co-packer as our sole source for the item. Our suppliers and co-packers are subject to risk, including labor disputes, union organizing activities, financial liquidity, inclement weather, natural disasters, supply constraints, and general economic and political conditions that could limit their ability to timely provide us with acceptable product. Although other sources are available for these items, if our current sources are unable to fulfill our needs for any reason, we may not be able to timely engage a replacement source that can timely provide us with acceptable products or on terms favorable to us or at all, which could disrupt our ability to manufacture and distribute products. Such disruptions could have a material adverse effect on our business, consolidated financial condition or results of operations.

Disruption of our manufacturing or distribution chains or information technology systems, including disruption due to cybersecurity threats, could adversely affect our business.

The success of our business depends, in part, on maintaining a strong manufacturing platform and we rely primarily on internal production resources to fulfill our manufacturing needs. Our ongoing initiatives to expand our manufacturing platform and our productive capacity could fail to achieve such objectives and, in any case, could increase our operating costs beyond our expectations and could require significant additional capital expenditures. If we cannot maintain sufficient production, warehousing, and distribution capacity, either internally or through third party agreements, we may be unable to meet customer demand and/or our manufacturing, distribution, and warehousing costs may increase, which could negatively affect our business.

Furthermore, damage or disruption to our manufacturing or distribution capabilities due to weather, natural disaster, fire, environmental incident, terrorism, cybersecurity threats and other security breaches, pandemic, strikes, the financial or operational instability of key distributors, warehousing, and transportation providers, or other reasons could impair our ability to manufacture or distribute our products.

We rely on a limited number of production and distribution facilities. A disruption in operations at any of these facilities or any other disruption in our supply chain relating to common carriers, supply of raw materials and finished goods, or otherwise, whether as a result of casualty, natural disaster, power loss, telecommunications failure, cybersecurity threat, terrorism, labor shortages, contractual disputes or other causes, could significantly impair our ability to operate our business and adversely affect our relationship with our customers. Furthermore, our insurance coverage may not be adequate to cover all related costs.

Our information technology systems are also critical to the operation of our business and essential to our ability to successfully perform day-to-day operations. These systems include, without limitation, networks, applications, and outsourced services in connection with the operation of our business. A failure of our information technology systems to perform as we anticipate could disrupt our business and result in transaction errors, processing inefficiencies, and sales losses, causing our business to suffer. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, systems failures, and cybersecurity threats. Cybersecurity threats in particular are persistent, evolve quickly and include, without limitation, computer viruses, unauthorized attempts to access information, denial of service attacks, and other electronic security breaches. Like our customers, suppliers, subcontractors and other third parties with whom we do business generally, we expect that we will continue to be the subject of cybersecurity threats. In some cases, we must rely on the safeguards put in place by the third parties with whom we do business to protect against security threats. We believe we have implemented appropriate measures and controls and have invested in sufficient resources to appropriately identify and monitor these threats and mitigate potential risks, including risks involving our customers and suppliers. However, there can be no assurance that any such actions will be sufficient to prevent cybersecurity breaches, disruptions to mission critical systems, the unauthorized release of sensitive information or corruption of data, or harm to facilities or personnel.

These threats and other events could disrupt our operations, or the operations of our customers, suppliers, subcontractors and other third parties; could require significant management attention and resources; could result in the loss of business, regulatory actions and potential liability; and could negatively impact our reputation among our customers and the public. Any of these outcomes could have a negative impact on our financial condition, results of operations, or liquidity.

Our debt and financial obligations could adversely affect our financial condition, our ability to obtain future financing, and our ability to operate our business.

Although the Company does not have any indebtedness outstanding as of December 31, 2025, the Company may incur indebtedness in the future. Outstanding debt obligations could adversely affect our financial condition and limit our ability to successfully implement our business strategy. Furthermore, from time to time, we may need additional financing to support our business and pursue our business strategy, including strategic acquisitions. Our ability to obtain additional financing, if and when required, will depend on our operating performance, the condition of the capital markets, and other factors. We cannot assure that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked, or debt securities, those securities may have rights, preferences, or privileges senior to those of our common stock, and, in the case of equity and equity-linked securities, our existing stockholders may experience dilution.

As of December 31, 2025, we had $0 outstanding under the Revolving Credit Facility. Our loan agreement contains certain restrictions and requirements that among other things:

- require us to maintain a quarterly fixed charge coverage ratio and minimum working capital ratio;
- limit our ability to obtain additional financing in the future for working capital, capital expenditures and acquisitions, to fund growth or for general corporate purposes;
- limit our future ability to refinance our indebtedness on terms acceptable to us or at all;

- limit our flexibility in planning for or reacting to changes in our business and market conditions or in funding our strategic growth plan; and
- impose on us financial and operational restrictions.

Our ability to meet our debt service obligations will depend on our future performance, which will be affected by the other risk factors described in this Annual Report on Form 10-K. If we do not generate enough cash flow to pay our debt service obligations, we may be required to refinance all or part of our existing debt, sell our assets, borrow more money or raise equity. There is no guarantee that we will be able to take any of these actions on a timely basis, on terms satisfactory to us, or at all.

Our Revolving Credit Facility bears interest at variable rates. If market interest rates increase, it will increase our debt service requirements, which could adversely affect our cash flow.

Our loan agreements also contain provisions that restrict our ability to:

- borrow money or guarantee debt;
- create liens;
- make specified types of investments and acquisitions;
- pay dividends on or redeem or repurchase stock;
- enter into new lines of business;
- enter into transactions with affiliates; and
- sell assets or merge with other companies.

These restrictions on the operation of our business could harm our ability to execute on our business strategy by, among other things, limiting our ability to take advantage of financing, merger and acquisition opportunities, and other corporate opportunities. Various risks, uncertainties, and events beyond our control could affect our ability to comply with these covenants. Unless cured or waived, a default would permit lenders to accelerate the maturity of the debt under the credit agreement and to foreclose upon the collateral securing the debt.

Loss of our key management or other personnel, or an inability to attract such management and other personnel, could negatively impact our business.

We depend on the skills, working relationships, and continued services of key personnel, including our experienced senior management team. We also depend on our ability to attract and retain qualified personnel to operate and expand our business. If we lose one or more members of our senior management team whose responsibilities cannot otherwise be distributed among our other officers, or if we fail to attract talented new employees, our business and results of operations could be negatively affected.

Employee strikes and other labor-related disruptions may adversely affect our operations.

We have a union contract governing the terms and conditions of employment for a significant portion of our manufacturing workforce in Illinois. Although we believe union relations since the union's certification as the exclusive bargaining representative of this portion of our workforce have been amicable, there is no assurance that this will continue in the future or that we will not be subject to future union organizing activity. There are potential adverse effects of labor disputes with our own employees or by others who provide warehousing, transportation, and distribution, both domestic and foreign, of our raw materials or other products. Strikes or work stoppages or other business interruptions could occur if we are unable to renew collective bargaining agreements on satisfactory terms or enter into new agreements on satisfactory terms, which could impair manufacturing and distribution of our products or result in a loss of sales, which could adversely impact our business, financial condition, or results of operations. The terms and conditions of existing, renegotiated, or new collective bargaining agreements could also increase our costs or otherwise affect our ability to fully implement future operational changes to enhance our efficiency or to adapt to changing business needs or strategy.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products and brands.

We consider our intellectual property rights, particularly our trademarks, but also our copyrights, registered domain names, and proprietary trade secrets, technology, know-how, processes and other proprietary rights to be a significant and valuable aspect of our business. We attempt to protect our intellectual property rights by relying on a combination of trademark, copyright, trade dress, trade secret, and other intellectual property laws, and domain name dispute resolution systems; as well as licensing agreements, third-party confidentiality, nondisclosure, and assignment agreements; and by policing third-party misuses of our intellectual property. Our failure to obtain or maintain adequate protection of our intellectual property rights, or any change in law or other changes that serve to lessen or remove the current legal protections of our intellectual property, may diminish our competitiveness and could materially harm our business.

We also face the risk of claims that we have infringed third parties' intellectual property rights. Any claims of intellectual property infringement, even those without merit, could be expensive and time consuming to defend, cause us to cease making, licensing, or using products that incorporate the challenged intellectual property, require us to redesign or rebrand our products or packaging, divert management's attention and resources, or require us to enter into royalty or licensing agreements to obtain the right to use a third party's intellectual property. Any royalty or licensing agreements, if required, may not be available to us on acceptable terms or at all. Additionally, a successful claim of infringement against us could result in our being required to pay significant damages, enter into costly license or royalty agreements, or stop the sale of certain products, any of which could have a negative effect on our results of operations.

A substantial portion of our common stock is held by members of the Smolyansky family, Danone and Divisadero Street Partners, L.P. ("Divisadero"), and they have the ability to control the outcome of matters submitted for stockholder approval.

Our five largest shareholders, Julie Smolyansky (the Company's chief executive officer and the daughter of our founder), Edward Smolyansky (our former chief operations officer and son of our founder), Ludmila Smolyansky (a former member of our Board and the widow of our founder), Danone North America PBC and its affiliates (collectively, "Danone") and Divisadero, beneficially owned approximately 18%, 20%, 6%, 23% and 9% of the Company's outstanding common stock, respectively, as of December 31, 2025. Certain of these shareholders, together, could significantly influence any matter requiring approval by our stockholders, including the election or removal of all of our directors, amendments to our articles of incorporation and the approval or rejection of any merger, change of control, or other significant corporate transaction. It is unlikely that any person interested in acquiring Lifeway will be able to do so without obtaining the consent of some combination of Julie Smolyansky, Edward Smolyansky, Ludmila Smolyansky, Danone and Divisadero. The interests of the Smolyansky family members, Danone and Divisadero could differ from those of other stockholders in ways that could be adverse to the interests of other stockholders. By exercising their influence, such stockholders could cause Lifeway to take actions that are at odds with the investment goals of institutional, short-term, non-voting, or other non-controlling investors, or that have a negative effect on our stock price. Additionally, concentration of ownership could also harm the market price of our common stock if investors perceive disadvantages in owning stock in a company of which a substantial portion of common stock is beneficially owned by a small number of stockholders.

Our business could be adversely affected as a result of proposals to acquire the Company or other actions taken by stockholders related to a possible acquisition of the Company.

Proposals to acquire the Company that we may receive in the future and any other actions by stockholders or others relating to a potential change of control transaction involving the Company could interfere with our ability to execute our strategic plans, make it more difficult to attract and retain qualified executives and employees, cause management distraction, require us to utilize more resources than anticipated towards review of strategic alternatives and result in the loss of potential business opportunities, any of which could have a material negative impact on the Company. In addition, our business and operations may be harmed to the extent that our customers or suppliers or others believe that we cannot effectively compete in the marketplace without completing a transaction, or if there is customer, supplier or employee uncertainty surrounding the future direction of our product offerings and our strategy. There can be no assurance that any such transaction will be completed now or in the future.

Any proposals that we may receive in the future or any actual or perceived actions by our stockholders or others relating to a potential transaction involving the Company may cause significant fluctuations in our stock price based upon temporary or speculative market perceptions or other factors that do not necessarily reflect the Company's underlying fundamentals and prospects.

The actions of certain of our shareholders could cause us to incur significant expense, disrupt our business, result in a proxy contest or litigation and adversely impact our stock price.

We value constructive input from investors and regularly engage in dialogue with our shareholders regarding strategy and performance. Our Board and management team are committed to acting in the best interests of all of our shareholders.

We may be subject to shareholder activism in the future, including nominations of candidates for election to our Board to replace current Board members or other shareholder proposals, which could cause us to incur significant expense, hinder execution of our business strategy and adversely impact the market price of Company common stock. Shareholder actions, including potential proxy contests, require significant time and attention by management and our Board, potentially interfering with our ability to execute our strategic plan. Such shareholder action could give rise to perceived uncertainties as to our future, adversely affect our relationships with our employees, customers or suppliers and make it more difficult to attract and retain qualified personnel and business partners. These perceived uncertainties may also be exploited by our competitors or other shareholders, which could result in lost business opportunities and make it more difficult to execute on our long-term strategic plan. If customers choose to delay, defer or reduce transactions with us or do business with our competitors instead of us, then our business, financial condition and operating results would be adversely affected. We may be required to incur significant legal fees and other expenses related to shareholder actions, and the attention of our management may be diverted by such actions. Any of these impacts could materially and adversely affect our business, operating results and financial condition, and the market price of Company common stock could be subject to significant fluctuation or otherwise be adversely affected. If individuals are elected or appointed to our Board with a specific agenda, the ability of our Board to function effectively could be adversely affected, which could in turn adversely affect our ability to effectively and timely implement our strategic plan and create additional value for our shareholders, and adversely affect our business, operating results and financial condition.

Litigation regarding the Stockholders' Agreement may be protracted and costly.

Danone has filed suit in the Circuit Court of Cook County, Law Division, in part, to enforce the Stockholders' Agreement. Pursuant to the Cooperation Agreement, the parties have jointly sought a stay of the pending litigation relating. If such litigation is recommenced, it may be protracted and expensive, and under certain circumstances, the Company may be required to reimburse Danone for its legal fees incurred in connection with such litigation.

Our shareholder rights plan includes terms and conditions that could discourage a takeover or other transaction that stockholders may consider favorable.

On November 4, 2024, in response to Danone's original proposal and Danone's substantial ownership position in the Company, our Board approved and adopted the Shareholder Rights Agreement with Computershare Trust Company, N.A., as rights agent (the "Rights Agreement"), and declared a dividend of one preferred share purchase right (each, a "Right") for each outstanding share of Company common stock to stockholders of record at 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 a 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 generally become exercisable only if any person or entity (or any persons or entities acting as a group) acquires 20% or more of the outstanding shares of Company common stock (or, to the extent any person, entity or group beneficially owned 20% or more of the outstanding shares of Company common stock as of immediately prior to the first public announcement of the adoption of the Rights Agreement, such person, entity or group acquires any additional shares). If Rights become exercisable, all holders of Rights (other than the person, entity or group triggering the Rights Agreement, whose Rights will become void and will not be exercisable) will have the right to purchase from the Company for $130.00, subject to certain potential adjustments, shares of Company common stock having a market value of twice that amount. The Rights Agreement was originally scheduled to expire on November 4, 2025. On October 29, 2025, the Company and the Rights Agent entered into the Amendment No. 1 to Shareholder Rights Agreement (the "Amendment") which extended the scheduled expiration of the Rights Agreement to October 29, 2026, unless earlier terminated or the Rights are redeemed or exchanged by the Board. Additional information regarding the Rights Agreement and the Amendment are contained in the Company's Current Report on Form 8-K filed with the SEC on November 5, 2024 and the Company's Current Report on Form 8-K filed with the SEC on October 30,

2025, respectively.

The Rights Agreement will cause substantial dilution to any person, entity or group that acquires beneficial ownership of 20% or more of the outstanding shares of Company common stock (or, to the extent any person, entity or group beneficially owned 20% or more of the outstanding shares of Company common stock as of immediately prior to the first public announcement of the adoption of the Rights Agreement, such person, entity or group acquires any additional shares). As a result, the overall effect of the Rights Agreement and the issuance of the Rights may be to discourage any person, entity or group from gaining a control or control-like position in the Company or engaging in other tactics, potentially disadvantaging the interests of the Company's stockholders, without negotiating with the Board and without paying an appropriate control premium to all stockholders. The Rights Agreement has similar provisions to those of other plans adopted by publicly-held companies in comparable circumstances. It is intended to protect stockholders' interests, including by providing the Board sufficient time to make informed judgments and take actions that are in the best interests of all of the Company's stockholders and other stakeholders. Nevertheless, the Rights Agreement may be considered to have certain anti-takeover effects, including potentially discouraging a third party from attempting to obtain a substantial position in the Company common stock or seeking to obtain control of the Company and discouraging a takeover attempt that stockholders may consider favorable or that could result in a premium over the market price of Company common stock. Even in the absence of a takeover attempt, the Rights Agreement may adversely affect the prevailing market price of Company common stock if it is viewed as discouraging takeover attempts in the future.

Adverse economic conditions in the United States or any of the other countries in which we conduct significant business in the future could negatively affect our business, financial condition and results of operations.

Many of our products may be considered discretionary items for consumers. Consumer spending on discretionary products is influenced by general economic conditions and the availability of discretionary income. 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, such as the current inflationary economic environment, rising interest rates, financial distress caused by recent or potential bank failures and the associated banking crisis, an economic recession, depression or downturn, a tightening of the credit markets, high energy prices or higher unemployment levels, may lead to decreased consumer spending, reduced credit availability and a decline in consumer confidence and demand, each of which poses a risk to our business. For example, US and global markets have in the past experienced volatility and disruption due to interest rate and inflation increases, as well as the continued escalation of geopolitical tensions, including those as a result of the conflicts between Russia and Ukraine and in the Middle East. Although our business has not yet been materially negatively impacted by such inflationary pressures, we cannot be certain that neither we nor our consumers will be materially impacted by continued pressures.

The change in administration following the 2024 United States presidential election could further impact trade and tariff policies, and could also result in substantial changes to fiscal, tax, or regulatory policies that may impact our business. These additional tariffs, as well as a government's adoption of "buy national" policies or retaliation by another government against such tariffs or policies have introduced significant uncertainty into the market and may affect the prices of and demand for our products, as well as the cost to acquire machinery and equipment from international sources, which could have a material and adverse effect on our business, financial condition and results of operations.

Other significant events may impact economic conditions and affect discretionary spending, including events such as catastrophic environmental disasters or global pandemics. As global economic conditions continue to be volatile and economic uncertainty remains, trends in consumer discretionary spending also remain unpredictable and subject to reductions due to credit constraints and uncertainties about the future. A decrease in consumer spending or in retailer and consumer confidence and demand for our products could have a significant negative impact on our net sales and profitability, including our operating margins and return on invested capital. These economic conditions could cause some of our retail customers or suppliers to experience cash flow or credit problems and impair their financial condition, which could disrupt our business and adversely affect product orders, payment patterns and default rates and increase our bad debt expense.

The increasing use of artificial intelligence technologies by our competitors, customers, and suppliers could impact our competitive position.

Artificial intelligence ("AI") and machine learning technologies are rapidly evolving and are increasingly being adopted across industries, including in manufacturing. Our competitors, customers, and suppliers may adopt AI technologies that could affect our competitive position. If we fail to effectively adopt and integrate AI technologies, or if our competitors do so more successfully, we could experience a decline in our competitive position.

We may also face risks from AI technologies used by third parties, including vendors, customers, and service providers, over which we have limited control. Any material disruption to our supply chain or competitive disadvantage resulting from third-party AI adoption could adversely affect our business, financial condition, and results of operations.

RISKS RELATED TO OUR INDUSTRY

The consolidation of our customers or the loss of any of our largest customers could negatively impact our sales and results of operations.

Customers, such as supermarkets and food distributors, continue to consolidate. This consolidation has produced larger, more sophisticated organizations with increased negotiating and buying power that are able to resist price increases or demand increased promotional programs, as well as operate with lower inventories, decrease the number of brands that they carry and increase their emphasis on private label products, all of which could negatively impact our business. The consolidation of retail customers also increases the risk that a significant adverse impact on their business could have a corresponding material adverse impact on our business.

Two of our customers together accounted for 24% of our net sales in the fiscal year ended December 31, 2025. Where we enter into written agreements with our customers, they are generally terminable after short notice periods by the customer. In addition, our customers sometimes award contracts based on competitive bidding, which could result in lower profits for contracts we win and the loss of business for contracts we lose. The loss of any large customer, the reduction of purchasing levels, or the cancellation of any business from a large customer for an extended period of time could negatively affect our sales and results of operations.

We rely on sales made by or through our independent distributors to customers. Distributors purchase directly for their own account for resale. The loss of, or

business disruption at, one or more of these distributors may harm our business. If we are required to obtain additional or alternative distribution agreements or arrangements in the future, we cannot be certain that we will be able to do so on satisfactory terms or in a timely manner. Our inability to enter into satisfactory distribution agreements may inhibit our ability to implement our business plan or to establish markets necessary to expand the distribution of our products successfully.

We are subject to the risk of product contamination and product liability claims, which could harm our reputation, force us to recall products and incur substantial costs.

The sale of food products for human consumption involves the risk of injury to consumers. Such injuries may result from tampering by unauthorized third parties, inadvertent mislabeling, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the storage, processing, handling or transportation phases. We also may be subject to liability if our products or production processes violate applicable laws or regulations, including environmental, health, and safety requirements, or in the event our products cause injury, illness, or death.

Under certain circumstances, we may be required to recall or withdraw products, suspend production of our products, or cease operations, which may lead to a material adverse effect on our business. In addition, customers may cancel orders for such products as a result of such events. Even if a situation does not necessitate a recall or market withdrawal, and even if we and each of our co-packers and suppliers comply in all material respects with all applicable laws and regulations, we may become subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or physical harm, including the risk of reputational harm being magnified and/or distorted through the rapid dissemination of information over the Internet, including through news articles, blogs, chat rooms, and social media, could adversely affect our reputation with existing and potential customers and consumers and our corporate and brand image. Moreover, claims or liabilities of this type might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. We maintain product liability and product recall insurance in amounts that we believe to be adequate. However, we cannot be sure that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage. A product liability judgment against us or a product recall could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

We rely on independent certification for several of our products and facilities.

We rely on independent certification, such as certifications of our products as “organic,” or “gluten-free,” to differentiate our products from others. The loss of any independent certifications could adversely affect our market position as a probiotic-based product and natural, “better for you” foods company, which could harm our business. We rely on independent SQF certification at some of our facilities, a certification that some of our customers require us to maintain.

We must comply with the requirements of independent organizations or certification authorities in order to label our products as certified. For example, we can lose our “organic” certification if a manufacturing plant becomes contaminated with non-organic materials, or if it is not properly cleaned after a production run. In addition, all organic raw materials must be certified organic or organic compliant. Our products could lose their organic certifications if our raw material suppliers lose their organic certifications. Similarly, we could lose our SQF certification if we do not meet the requirements of the SQF Code. The loss of these certifications could cause us to lose customers that require Lifeway products and/or facilities to carry some or all of them, which could negatively affect our sales and results of operations.

Increases in the cost of milk could reduce our gross margin and profit.

Conventional and organic milk, our primary raw material, is an agricultural commodity that is subject to price fluctuations. Conventional milk prices were lower in fiscal 2025 than the prior year, and there can be no assurance that such prices will remain at these levels in the future. The supply and price of milk may be impacted by, among other things, weather, natural disasters, real or perceived supply shortages, lower dairy and crop yields, general increases in farm inputs and costs of production, political and economic conditions, labor actions, government actions, and trade barriers. Increases in the market price for milk or over-order premiums charged by producers may also impact our ability to enter into purchase commitments at a fixed price. There can be no assurance that our purchasing practices will mitigate future price risk. As a result, increases in the cost of milk could have an adverse impact on our profitability.

In addition, the dairy industry continues to experience periodic imbalances between supply and demand for organic milk. Industry regulation and the costs of organic farming compared to costs of conventional farming can impact the supply of organic milk in the market. Oversupply levels of organic milk can increase competitive pressure on our products and pricing, while supply shortages can cause higher input costs and reduce our ability to deliver product to our customers. Cost increases in raw materials and other inputs could cause our profits to decrease significantly compared to prior periods, as we may be unable to increase our prices to offset the increased cost of these raw materials and other inputs. If we are unable to obtain raw materials and other inputs for our products or offset any increased costs for such raw materials and inputs, our business could be negatively affected.

Reduced availability of raw materials and other inputs, as well as increased costs for them, could adversely affect us.

Our business depends heavily on raw materials and other inputs in addition to conventional and organic raw milk, such as cultures, flavoring, packaging material, and other commodities. Our raw materials are generally sourced from third-party suppliers, and we are not assured of continued supply, pricing, or exclusive access to raw materials from any of these suppliers. For market conditions or competitive reasons, our customer pricing actions may lag input cost changes, or we may not be able to pass along the full effect of increases in raw materials and other input costs as we incur them.

The organic ingredients we use in some of our products are less plentiful and available from a fewer number of suppliers than their conventional counterparts. Competition with other manufacturers in the procurement of organic product ingredients may increase in the future if consumer demand for organic products exceeds the supply.

Our business is subject to various food, environmental, and health and safety laws and regulations, which may increase our compliance costs, subject us to liabilities, or otherwise adversely affect our business.

Our business operations are subject to numerous requirements in the United States relating to food safety, production, and marketing, as well as the protection of the environment, and health and safety matters. The food production and marketing industry is subject to a variety of federal, state, local, and foreign laws and regulations, including food safety requirements related to the ingredients, manufacture, processing, storage, marketing, advertising, labeling, and distribution of our products, as well as those related to worker health and workplace safety. Our activities, both in and outside of the United States, are subject to extensive regulation. We are regulated by, among other federal and state authorities, the FDA, USDA, the U.S. Federal Trade Commission (“FTC”), and the U.S. Departments of Commerce,

and Labor, as well as by similar authorities in the foreign countries in which we do business. Environmental laws including the Clean Air Act, the Clean Water Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and the National Organic Standards of the U.S. Department of Agriculture, as well as similar state and local statutes and regulations in the United States and in each of the foreign countries in which we do business apply to our business operations as well. These laws and regulations govern, among other things, air emissions and the discharge of wastewater and other pollutants, the use of refrigerants, the handling and disposal of hazardous materials, and the cleanup of contamination in the environment. In addition, the marketing and advertising of our products could make us the target of claims relating to alleged false or deceptive advertising under federal, state, and foreign laws and regulations, and we may be subject to initiatives that limit or prohibit the marketing and advertising of our products to children.

We are also subject to federal laws and regulations relating to our organic products and production. For example, as required by the National Organic Program ("NOP"), we rely on third parties to certify certain of our products and production locations as organic. Regulations and formal and informal positions taken by the NOP pursuant to the Organic Foods Production Act of 1990, which created the NOP, are subject to continued review and scrutiny.

Changes in these laws or regulations or the introduction of new laws or regulations could increase our compliance costs, increase other costs of doing business for us, our customers, or our suppliers, or restrict our actions, which could adversely affect our results of operations. In some cases, new laws and regulations or other federal and state regulatory initiatives could interrupt distribution of our products or force changes in our production processes and our products. Governmental regulations also affect taxes and levies, healthcare costs, energy usage, immigration, and other labor issues, all of which may have a direct or indirect effect on our business or those of our customers or suppliers. These costs could negatively affect our results of operations and financial condition. Further, if we are found to be in violation of applicable laws and regulations in these areas, we could be subject to civil remedies, including third-party claims for property damage or personal injury, fines, injunctions, recalls, cleanup costs, and other civil sanctions, as well as potential criminal sanctions, any of which could have a material adverse effect on our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

Our cybersecurity program is designed to assess, identify, and manage material risks from cybersecurity threats, and protect and preserve the confidentiality, integrity, and continued availability of all information owned by, or in the care of, the Company. Cybersecurity risks are incorporated into the Company's broader risk management process to evaluate and address cybersecurity risks in alignment with our business objectives and operational needs. As part of the cybersecurity program, we utilize a combination of internal technology, which we continue to analyze and update as necessary, and a third-party managed security service provider and their platform to monitor, evaluate and respond to cyber activity. We monitor and assess the information gathered by our security tools and services to identify gaps, exposures, or weaknesses in our overall security approach, and make the necessary changes to address such findings.

Impact of Cybersecurity Risks and Threats

We are not aware of having experienced any risks from cybersecurity threats or incidents through the date of this Report that have materially affected the Company, its business strategy, results of operation or financial condition or are reasonably likely to have such an effect over the long term. This does not guarantee that future incidents or threats will not have a material impact or that we are not currently the subject of an undetected incident or threat that may have such an impact.

Additional information on cybersecurity risk we face is discussed in Part I, Item A – Risk Factors, which should be read in conjunction with the foregoing information.

Governance

Board of Directors

Our Board of Directors oversees our risk management process, and cybersecurity risks are monitored as a part of the broader program. Our Board has delegated the primary responsibility to oversee risks from cybersecurity threats to the Audit and Corporate Governance Committee. The Chief Financial Officer and our Director of IT present updates to the Audit and Corporate Governance Committee and the full Board of Directors, on, among other things, the Company's cyber risks and threats, the status of projects to strengthen the Company's information security systems, and the emerging threat landscape.

Management

Our Chief Financial Officer is responsible for management oversight of our information security program and controls, which includes cybersecurity risk management. Our Director of IT is responsible for the development, operation, and maintenance of our information security program and controls. The Director of IT has extensive experience in the information technology field, and cybersecurity knowledge and skills gained through relevant experiences. The Director and Chief Financial Officer regularly review potential risks and measures implemented by the Company to identify and mitigate cyber security risks.

ITEM 2. PROPERTIES

We operate the following facilities:

Location	Owned / Leased	Principal Use
Morton Grove, Illinois	Owned	Production facility, principal executive offices
Waukesha, Wisconsin	Owned	Production facility, warehousing and distribution, administrative offices

Niles, Illinois	Owned	Warehousing and distribution, administrative offices
Philadelphia, Pennsylvania	Owned	Production facility, warehousing and distribution, administrative offices

Lifeway believes that its facilities are adequate for its current needs and that suitable additional space will be available on commercially acceptable terms as required. We believe that we have adequate insurance coverage for all our properties.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are engaged in litigation matters arising in the ordinary course of business. While the results of litigation and claims cannot be predicted with certainty, Lifeway believes that no such matter is reasonably likely to have a material adverse effect on our financial position or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is listed on the Nasdaq Global Market under the symbol "LWAY." Trading commenced on March 29, 1988. As of March 7, 2026, there were 49 shareholders of record of our common stock.

Dividend Policy

Lifeway does not routinely declare and pay dividends. From time to time however our Board of Directors may declare and pay dividends depending on our operating cash flow, financial condition, capital requirements and such other factors as the Board of Directors may deem relevant.

There were no dividends declared or paid in fiscal 2025 or 2024.

Purchases of Equity Securities by the Issuer

None.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations as of and for the years ended December 31, 2025 and 2024 should be read in conjunction with the audited consolidated financial statements and the notes to those statements that are included elsewhere in this Annual Report on Form 10-K. In addition to historical information, the following discussion contains certain forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements relate to our future plans, objectives, expectations and intentions. These statements may be identified by the use of words such as "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," and "estimate," and similar terms or terminology, or the negative of such terms or other comparable terminology. Although we believe the expectations expressed in these forward-looking statements are based on reasonable assumptions within the bounds of our knowledge of our business, our actual results could differ materially from those discussed in these statements. Factors that could contribute to such differences include, but are not limited to, those discussed in the "Risk Factors" section in Part I, Item 1A. We undertake no obligation to update publicly any forward-looking statements for any reason even if new information becomes available or other events occur in the future.

Recent Developments

Cooperation Agreement

On September 30, 2025, the Company and Danone entered into a Cooperation Agreement (the "Cooperation Agreement") pursuant to which, among other things:

- The Company refreshed its Board, electing four new directors (the "New Independent Directors") selected in accordance with the Cooperation Agreement who are (1) independent under Nasdaq rules and (2) unaffiliated with Julie Smolyansky, the Company's Chief Executive Officer, her spouse, Edward Smolyansky, Ludmila Smolyansky (the foregoing collectively, the "Smolyansky Family"), Danone, the Company and any director of the Company. Additionally, Jody Levy and Perfecto Sanchez, former members of the Board, resigned and Pol Sikar was not nominated to stand for re-election at the Company's 2025 annual meeting of shareholders. Additional changes to the Board during the quarter ended December 31, 2025, include the appointment of Dorri McWhorter as Chairperson of the Board, resignation of Ms. McWhorter from the Compensation Committee of the Board, the appointment of Andee Harris as a member of the Audit and Corporate Governance Committee of the Board and the appointment of Susan Hultquist and Kirk Chartier to the Compensation Committee of the Board.

- The Company and Danone jointly stayed the pending litigation relating to the Stockholders' Agreement, dated October 1, 1999, by and among the Company, Danone Foods, Inc., Michael Smolyansky, Ludmila Smolyansky, Julie Smolyansky and Edward Smolyansky (as amended, the "Stockholders' Agreement").

- Danone waived certain of its right under that certain Stockholders' Agreement, including its right to Board representation, and agreed that its consent will not be required for the Company to issue bona fide equity-based compensation to members of management (excluding Julie Smolyansky, her immediate family and their affiliates) so long as the grants are on market terms and are approved by the Company's Compensation Committee (a majority of which must be New Independent Directors);

- The Company agreed to hold its 2026 annual meeting of shareholders on or before June 30, 2026 and to include as nominees for election a slate of seven individuals (unless the size of the Board is increased by adding any additional directors through the process required in the Cooperation Agreement) that includes the New Independent Directors and that excludes Jason Scher. Danone has agreed to vote all of the shares of Common Stock it beneficially owns in favor of this slate if nominated in accordance with the Cooperation Agreement.

- Danone agreed that if, at any time prior to June 30, 2026, Edward Smolyansky or Ludmila Smolyansky or any person with whom Edward Smolyansky or Ludmila Smolyansky has formed a group (as such term is defined under the Exchange Act, and the rules and regulations promulgated thereunder) calls a special meeting of the Company's shareholders or commences a consent solicitation, Danone will vote or consent, as applicable, with respect to all shares of Common Stock it beneficially owns in accordance with the Board's recommendations on all matters relating to Board composition and, with certain exceptions, the Company's organizational documents.

- The Company filed a "shelf" registration statement with the SEC covering the resale of all shares of Common Stock beneficially owned by Danone and its affiliates, which registration statement was declared effective by the SEC. The Cooperation Agreement provides that Danone may not request more than (a) two underwritten offerings not involving any "road show," which is commonly known as a "block trade" or (b) one underwritten offering that is not a block trade under the registration statement of which this prospectus forms a part in any 60-day period. The Company also agreed to use reasonable best efforts to take such further action as Danone may reasonably request, all to the extent required from time to time, to enable Danone to sell shares of Registrable Stock (as defined in the Stockholders' Agreement) without registration under the Securities Act within the safe harbor provided by Rule 144 thereunder.

- Both the Company and Danone, on behalf of themselves and their respective affiliates and representatives, agreed to mutual non-disparagement provisions, effective until two years after Danone and its affiliates cease to beneficially own any shares of Common Stock.

All of Danone's obligations (other than the non-disparagement covenants) cease to apply upon certain "triggering events," including breaches of the Cooperation Agreement by the Company or certain statements by the Company, Julie Smolyansky or any of their respective affiliates or representatives challenging the validity of the Cooperation Agreement or the Stockholders' Agreement. Additionally, if Julie Smolyansky is deemed to have breached the Cooperation Agreement while she is Chief Executive Officer of the Company, such breach will be a triggering event under the Cooperation Agreement unless the Board terminates Julie Smolyansky for cause as a result of such breach within a specified time period.

All of the Company's obligations under the Stockholders' Agreement (other than those relating to Danone's registration rights and rights with respect to inspection of our books and records) cease to apply after Danone and its affiliates no longer collectively beneficially own at least 761,438 (as adjusted for any reverse stock split or similar recapitalization). The Company's obligations under the Cooperation Agreement (other than the non-disparagement covenants) cease to apply after Danone and its affiliates cease to beneficially own any shares of Common Stock.

Debt Refinancing

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 and (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. 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.

Organic Milk Supply

To increase the supply of organic milk available to the Company for the manufacture of finished goods, the Company is purchasing 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 $635 in prepaid and other current assets and $2,235 in other assets as of December 31, 2025 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.

Trends and Uncertainties

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

Comparison of Year Ended December 31, 2025 to Year Ended December 31, 2024 (in thousands)

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

	Year Ended December 31,			
	2025		2024	
	$	%	$	%
Net sales	212,496	100.0%	186,820	100%
Cost of goods sold	150,850	71.0%	135,400	72.5%
Depreciation expense	3,440	1.6%	2,846	1.5%
Total cost of goods sold	154,290	72.6%	138,246	74.0%
Gross profit	58,206	27.4%	48,574	26.0%
Selling expense	19,891	9.4%	14,743	7.9%
General & administrative expense	21,603	10.2%	19,439	10.4%
Amortization expense	540	0.3%	540	0.3%
Total operating expenses	**42,034**	**19.9%**	**34,722**	**18.6%**
Income from operations	**16,172**	**7.5%**	**13,852**	**7.4%**
Other income (expense):				
Interest expense	(77)	(0.0%)	(105)	(0.1%)
Fair Value loss on investment	(95)	(0.0%)	–	0.0%
Gain on sale of investment	3,407	1.6%	–	0.0%
Gain (loss) on sale of equipment	–	(0.0%)	(8)	0.0%
Other income (expense), net	279	0.1%	230	0.1%
Total other income (expense)	3,514	1.7%	117	0.0%
Income before provision for income taxes	**19,686**	**9.2%**	**13,969**	**7.4%**
Provision for income taxes	5,827	2.7%	4,944	2.6%
Net income	**13,859**	**6.5%**	**9,025**	**4.8%**

Net Sales

Net sales were $212,496 for the year ended December 31, 2025, an increase of $25,676 or 13.7% versus prior year. The net sales increase was primarily driven by higher volumes of our branded drinkable kefir. The fiscal year 2024 benefited from a customer relationship we strategically exited in the third quarter of 2024, and a significant distributor shifting from Lifeway delivered to customer pick-up in late 2024, which resulted in lower net sales and lower freight out expense. On a comparable basis adjusting for these two factors, the Company's net sales increased approximately 19% in the fiscal year 2025 compared to fiscal year 2024.

Gross Profit

Gross profit as a percentage of net sales increased to 27.4% during the year ended December 31, 2025 from 26.0% during the same period in 2024. The increase versus the prior year was driven by higher volumes of our branded products, which provided manufacturing efficiencies and the favorable impact of conventional milk pricing.

Selling Expenses

Selling expenses increased by $5,148 to $19,891 during the year ended December 31, 2025 from $14,473 during the same period in 2024. Selling expenses as a percentage of net sales increased to 9.4% during the year ended December 31, 2025 from 7.9% during the same period in 2024. The increase is primarily a result of our continued investments in marketing activities to drive brand awareness and sales volumes.

General and Administrative Expenses

General and administrative expenses increased $2,164 to $21,603 during the year ended December 31, 2025 from $19,439 during the same period in 2024. The Company incurred approximately $6,200 of legal and professional fees associated with Danone's unsolicited purchase proposal and non-routine stockholder action during 2025. During 2024, the Company incurred approximately $4,500 of legal and professional fees associated with Danone's unsolicited purchase proposal, non-routine stockholder action, and the CEO retention bonus awarded in the fourth quarter of 2024.

Provision for Income Taxes

The provision for income taxes includes federal, state and local income taxes. The provision for income taxes was $5,827 and $4,944 during the year ended December 31, 2025, and 2024, respectively.

The effective income tax rate was 29.6% in 2025 compared to 35.4% in 2024. The statutory federal and state tax rates remained consistent from 2024 to 2025. The Company consistently reflects non-deductible items such as non-deductible officer compensation expense, non-deductible compensation expense related to equity incentive awards, and separate state tax rates from year to year. Although similar items were reflected in 2025, the percentage effect is different primarily due to the decrease in certain non-deductible compensation in 2025 compared to 2024.

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 underlying income tax rates applicable to various state and local taxing jurisdictions, enacted tax legislation, 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 in the period in which they occur.

Section 162(m) of the Internal Revenue Code (the "Code") limits the deductibility of compensation paid to certain of our executives to the extent their total compensation exceeds $1 million in any taxable year.

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 or cash flows in the current fiscal year.

Income taxes are discussed in Note 10 in the Notes to the Consolidated Financial Statements.

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, $25,000 was available under the Revolving Credit Facility as of December 31, 2025 (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).

Cash Flow

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

	Year Ended December 31,	
	2025	**2024**
Net Cash Flows Provided By (Used In):		
Operating activities	$ 10,948	$ 12,962
Investing activities	$ (22,040)	$ (6,682)
Financing activities	$ (65)	$ (2,750)

Operating Activities

Net cash provided by operating activities was $10,948 in 2025 compared to $12,962 in 2024. The decrease was primarily due to the change in working capital.

Investing Activities

Net cash used in investing activities was $22,040 in 2025 compared to $6,682 in 2024. The increase in cash used reflects our planned capital spending increase during 2025 compared to 2024.

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 $48,000. As of December 31, 2025, $21,547 is included on the consolidated balance sheet in property, plant and equipment, with cumulative cash paid of $20,926. 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 increase in cash used was partially offset by cash proceeds of $5,152 received in the first quarter and $54 in the second quarter of 2025 from the sale of our Simple Mills investment.

Our capital spending is focused in 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 used in financing activities was $65 in 2025 compared to $2,750 in 2024. The cash used in 2025 represents credit agreement amendment expenses incurred during the first quarter. The cash used in 2024 represented the quarterly principal payments under the term loan, which was paid in full during the second quarter of 2024.

Debt Obligations

The Company is party to an Amended and Restated Loan and Security Agreement (as amended and modified from time to time, the "Credit Agreement") with its existing lender and certain of its subsidiaries. The Credit Agreement provides for, among other things, a revolving line of credit up to a maximum of $25,000 (the "Revolving Credit Facility") and an incremental facility not to exceed $5,000. The termination date of the revolving credit facility is February 5, 2029, unless earlier terminated.

As of December 31, 2025, the Company had $0 outstanding under the Revolving Credit Facility. The Company had $25,000 available for future borrowings under the Revolving Credit Facility as of December 31, 2025.

All outstanding amounts under the revolving line of credit bear interest at the Secured Overnight Financing Rate ("SOFR"), plus 1.75%. 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 for each fiscal quarter commencing with the fiscal quarter ending March 31, 2025.

The Company is in compliance with all applicable financial debt covenants as of December 31, 2025. See Note 7 to our Consolidated Financial Statements for additional information regarding our indebtedness and related agreements.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financing arrangements.

Critical Accounting Estimates

Critical accounting estimates are defined as those most important to the portrayal of a company's financial condition and results, and require the most difficult, subjective, or complex judgments. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP with no need for the application of our judgement. In certain circumstances, the preparation of our Consolidated Financial Statements in conformity with U.S. GAAP requires us to use our judgment to make certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of net sales and expenses during the reporting period. We believe in the quality and reasonableness of our critical accounting estimates; however, materially different amounts might be reported under different conditions or using assumptions, estimates or making judgments different from those that we have applied. Management has discussed the development and selection of these critical accounting policies, as well as our significant accounting policies (see Note 2 to the Consolidated Financial Statements), with the Audit and Corporate Governance Committee of our Board of Directors. We have identified the policies described below as our critical accounting policies that require us to make subjective or complex judgments.

Goodwill impairment

Goodwill totaled $11,704 as of December 31, 2025. Goodwill represents the excess purchase price over the fair value of the net tangible and other identifiable intangible assets acquired. Goodwill is not amortized.

The Company has one reporting unit within its single reportable segment. We review and evaluate our goodwill for potential impairment at a minimum annually, as of December 31, or more frequently if circumstances indicate that impairment is possible. We completed our annual goodwill impairment analysis as of December 31, 2025. Our assessment did not result in impairment.

In testing goodwill for impairment, the Company has the option to perform a qualitative test (also known as "Step 0") or a quantitative test ("Step 1"). Under the Step 0 test, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying

value. Qualitative factors may include, but are not limited to, economic conditions, industry and market considerations, cost factors, overall financial performance of the reporting unit and other entity and reporting unit specific events. If after assessing these qualitative factors, the Company determines it is "more-likely-than-not" that the fair value of the reporting unit is less than the carrying value, then performing the Step 1 quantitative test is necessary.

Step 1 of the quantitative test requires comparison of the fair value of the Company's one reporting unit to the carrying value. If the carrying value of the reporting unit is less than the fair value, no impairment exists. Otherwise, the Company would recognize an impairment charge for the amount by which the carrying amount of the reporting unit exceeds its fair value up to the amount of goodwill allocated to the reporting unit.

Under a Step 1 quantitative test, we estimate the fair value of our one reporting unit using a combination of the fair values derived from both the income approach and the market approach. Under the income approach, the Company uses a discounted cash flow methodology which requires management to make significant estimates and assumptions related to forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others. The discount rate used to determine the present value of future cash flows is based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the business's ability to execute on the projected cash flows. For the market approach, the Company uses the guideline public company method. The market approach estimates fair value based on market multiples of revenue and earnings derived from comparable publicly traded companies with similar operating and investment characteristics. The Company also reconciles the fair value of its reporting unit to its current market capitalization, allowing for a reasonable control premium.

Sales discounts & allowance

We offer various trade promotions and sales incentive programs to customers and consumers. From time to time, we grant certain sales discounts to customers which are classified as a reduction in sales. The measurement and recognition of discounts and allowances involve the use of judgment, and our estimates are made based on historical experience and specific customer program accruals. Differences between estimated and actual discount and allowance costs are normally not material and are recognized in earnings in the period such differences are determined. The process for analyzing trade promotion programs could impact our results of operations and trade spending accruals depending on how actual results of the programs compare to original estimates. As of December 31, 2025, we had $1,730 of accrued discounts and allowances.

Share-based compensation

Certain members of management and non-employee directors receive various forms of share-based payment awards, and we recognize compensation expense for these awards based on their grant date fair values. The grant date fair value of Restricted Stock Units ("RSUs") and Performance Share Unit ("PSUs") awards is equal to the Company's closing stock price on the grant date. The Company granted RSU and PSU awards during 2025 to employees. The PSU awards are contingent upon the achievement of strategic milestones during a three-year measurement period. The expense recognition of PSU awards therefore requires management to make judgements and estimates at the end of each reporting period as to the cumulative three-year milestone achievements. Changes in management's estimate of the three-year cumulative milestone achievements are recognized as change in management estimate in a subsequent period. We do not estimate forfeitures in measuring the grant date fair value of RSUs and PSUs but rather account for forfeitures as they occur. Forfeitures have historically been immaterial. See Note 11 to our consolidated financial statements for further detail.

Income taxes

We pay income taxes based on tax statutes, regulations, and case law of the various jurisdictions in which we operate. At any given time, multiple tax years are subject to audit by the various taxing authorities. Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse. The assumptions about future taxable income require the use of significant judgment and are consistent with the plans and estimates we are using to manage our underlying businesses.

We recognize an income tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The income tax benefit recognized in our financial statements from such a position is measured based on the largest estimated benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. These judgments and estimates made at a point in time may change based on the outcome of tax audits and changes to, or further interpretations of, regulations. If such changes take place, there is a risk that our tax rate may increase or decrease in any period, which would impact our earnings. Future business results may affect deferred tax liabilities or the valuation of deferred tax assets over time.

Recent Accounting Pronouncements.

See Note 2, Summary of Significant Accounting Policies, in the Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for information regarding recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Consolidated Statements of Cash Flows for the Years Ended December 31, 2025 and 2024 F-5
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Lifeway Foods, Inc.

Opinion on the financial statements
We have audited the accompanying consolidated balance sheets of Lifeway Foods, Inc. (an Illinois corporation) and subsidiaries (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2025, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion
These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters
The critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2022.

Chicago, Illinois
March 17, 2026

LIFEWAY FOODS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2025 and 2024
(In thousands)

	December 31,	
	2025	**2024**
Current assets		
Cash and cash equivalents	$ 5,571	$ 16,728
Accounts receivable, net of allowance for credit losses and discounts & allowances of $1,730 and $1,590 at December 31, 2025 and 2024, respectively	16,643	15,424
Inventories, net	11,890	8,678
Prepaid expenses and other current assets	2,627	2,144
Refundable income taxes	325	631
Total current assets	**37,056**	**43,605**
Property, plant and equipment, net	48,282	26,862
Operating lease right-of use asset	465	118
Goodwill	11,704	11,704
Intangible assets, net	5,818	6,358
Other assets	2,285	1,900
Total assets	**$ 105,610**	**$ 90,547**
Current liabilities		
Accounts payable	$ 11,008	$ 10,401
Accrued expenses	5,413	5,103
Accrued income taxes	218	–
Total current liabilities	**16,639**	**15,504**
Operating lease liabilities	**360**	**70**
Deferred income taxes, net	**2,792**	**3,062**
Total liabilities	**19,791**	**18,636**
Commitments and contingencies (Note 9)	–	–
Stockholders' equity		
Preferred stock, no par value; 2,500 shares authorized; none issued	–	–
Common stock, no par value; 40,000 shares authorized; 17,274 shares issued; 15,232 and 15,100 shares outstanding at 2025 and 2024	6,509	6,509
Treasury stock, at cost	(13,214)	(14,052)
Paid-in capital	3,843	4,632
Retained earnings	88,681	74,822
Total stockholders' equity	**85,819**	**71,911**
Total liabilities and stockholders' equity	**$ 105,610**	**$ 90,547**

See accompanying notes to consolidated financial statements

LIFEWAY FOODS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the Years Ended December 31, 2025 and 2024
(In thousands, except per share data)

	2025	**2024**
Net sales	**$ 212,496**	**$ 186,820**
Cost of goods sold	150,850	135,400
Depreciation expense	3,440	2,846
Total cost of goods sold	154,290	138,246
Gross profit	**58,206**	**48,574**
Selling expenses	19,891	14,743
General and administrative	21,603	19,439
Amortization expense	540	540
Total operating expenses	**42,034**	**34,722**
Income from operations	**16,172**	**13,852**
Other income (expense):		

Interest expense	(77)	(105)
Fair value loss on investment	(95)	–
Gain on sale of investment	3,407	–
Gain (loss) on sale of property and equipment	–	(8)
Other income	279	230
Total other income (expense)	3,514	117
Income before provision for income taxes	**19,686**	**13,969**
Provision for income taxes	5,827	4,944
Net income	**$ 13,859**	**$ 9,025**
Net earnings per common share:		
Basic	$ 0.91	$ 0.61
Diluted	$ 0.89	$ 0.60
Weighted average common shares outstanding:		
Basic	15,200	14,769
Diluted	15,539	15,130

See accompanying notes to consolidated financial statements

LIFEWAY FOODS, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
For the Years Ended December 31, 2025 and 2024
(In thousands)

	Common Stock						
	Issued		In treasury		Paid-In	Retained	Total
	Shares	$	Shares	$	Capital	Earnings	Equity
Balance, January 1, 2024	**17,274**	**$ 6,509**	**(2,583)**	**$ (16,695)**	**$ 4,825**	**$ 65,797**	**$ 60,436**
Issuance of common stock in connection with stock-based compensation	–	–	398	2,573	(2,790)	–	(217)
Issuance of common stock on exercise of stock options	–	–	11	70	36	–	106
Stock-based compensation	–	–	–	–	2,561	–	2,561
Net income	–	–	–	–	–	9,025	9,025
Balance, December 31, 2024	**17,274**	**$ 6,509**	**(2,174)**	**$ (14,052)**	**$ 4,632**	**$ 74,822**	**$ 71,911**
Issuance of common stock in connection with stock-based compensation	–	–	129	819	(2,750)	–	(1,931)
Issuance of common stock on exercise of stock options	–	–	3	19	14	–	33
Stock-based compensation	–	–	–	–	1,947	–	1,947
Net Income	–	–	–	–	–	13,859	13,859
Balance, December 31, 2025	**17,274**	**$ 6,509**	**(2,042)**	**$ (13,214)**	**$ 3,843**	**$ 88,681**	**$ 85,819**

See accompanying notes to consolidated financial statements

LIFEWAY FOODS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024
(In thousands)

	2025	2024
Cash flows from operating activities:		
Net income	**$ 13,859**	**$ 9,025**

Adjustments to reconcile net income to operating cash flow:		
Depreciation and amortization	3,980	3,386
Stock-based compensation	1,947	2,446
Non-cash interest expense	19	17
(Gain) loss on sale of equipment	(115)	8
Gain on sale of investments	(3,407)	–
Fair value loss on investment	96	–
Deferred income taxes	(270)	61
(Increase) decrease in operating assets:		
Accounts receivable	(1,219)	(1,550)
Inventories	(3,212)	426
Prepaid expenses and other current assets	151	(125)
Refundable income taxes	306	(631)
Increase (decrease) in operating liabilities:		
Accounts payable	238	156
Accrued expenses	(1,643)	217
Accrued income taxes	218	(474)
Net cash provided by operating activities	**10,948**	**12,962**
Cash flows from investing activities:		
Purchases of property and equipment	(27,361)	(6,697)
Proceeds from sale of equipment	115	15
Proceeds from sale of investments	5,206	–
Net cash used in investing activities	**(22,040)**	**(6,682)**
Cash flows from financing activities:		
Repayment of note payable	–	(2,750)
Payment of deferred financing costs	(65)	–
Net cash used in financing activities	**(65)**	**(2,750)**
Net (decrease) increase in cash and cash equivalents	**(11,157)**	**3,530**
Cash and cash equivalents at the beginning of the period	16,728	13,198
Cash and cash equivalents at the end of the period	**$ 5,571**	**$ 16,728**
Supplemental cash flow information:		
Cash paid for income taxes, net of (refunds)	$ 5,588	$ 5,987
Cash paid for interest	$ 58	$ 98
Non-cash investing activities		
Accrued purchase of property and equipment	$ 774	$ 407
Right-of-use assets obtained in exchange for lease obligations	$ 426	$ –

See accompanying notes to consolidated financial statements

LIFEWAY FOODS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2025 and 2024
(In thousands)

Note 1 – Basis of presentation

The consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include all of the assets, liabilities and results of operations of Lifeway Foods, Inc. and its wholly owned subsidiaries (collectively "Lifeway" or the "Company"). All inter-company balances and transactions have been eliminated in the consolidated financial statements.

Note 2 – Summary of significant accounting policies

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to use judgement 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 the reported amounts of revenue 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.

Revenue Recognition

Lifeway sells food and beverage products across select product categories to customers predominantly within the United States (see Note 13 – Disaggregation of Revenue, Significant Customers, and Geographic Information). The Company also sells bulk cream, a byproduct of its fluid milk manufacturing process. In accordance with ASC 606, Revenue from Contracts with Customers, Lifeway recognizes revenue when control over the products transfers to its customers, which generally occurs upon delivery to its customers or their common carriers. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services, using the five-step method required by ASC 606.

For the Company, the contract is the approved sales order, which may also be supplemented by other agreements that formalize various terms and conditions with customers. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.

Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer, which is the delivery of food and beverage products which provide immediate benefit to the customer.

Lifeway accounts for product shipping and handling as fulfillment activities with revenues for these activities recorded within net revenue and costs recorded within cost of goods sold. Any taxes collected on behalf of government authorities are excluded from net revenues.

Variable consideration, which includes known or expected pricing or revenue adjustments, such as trade discounts, allowances for non-saleable products, product returns, trade incentives and coupon redemption, is estimated utilizing the most likely amount method.

Key sales terms, such as pricing and quantities ordered, are established on a frequent basis such that most customer arrangements and related incentives have a one year or shorter duration. As such, the Company does not capitalize contract inception costs and it capitalizes product fulfillment costs in accordance with U.S. GAAP and its inventory policies. It generally does not receive noncash consideration for the sale of goods, nor does it grant payment financing terms greater than one year.

Accounts Receivable

Lifeway provides credit terms to customers in-line with industry standards and maintains allowances for potential credit losses based on historical collection experiences and the current economic condition of specific customers. All accounts receivables have an original term of less than one year. Customer balances are written off after all collection efforts are exhausted. Estimated product returns, which have not been material, are deducted from sales at the time of revenue recognition. The Company does not charge interest on past due accounts receivable. Accounts receivable, less allowances was $16,643, $15,424 and $13,875, as of December 31, 2025, 2024, and 2023 respectively.

Inventories

Inventories are stated at the lower of cost or net realizable value, valued on a first in, first out basis ("FIFO"). The costs of finished goods inventories include raw materials, direct labor, and overhead costs. Inventories are stated net of reserves for excess or obsolete inventory.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets as follows:

Asset	Useful Life
Buildings and improvements	10 – 39 years
Machinery and equipment	5 – 12 years
Office equipment	3 – 7 years
Vehicles	5 years
Leasehold improvements	Shorter of expected useful life or lease term

The Company performs impairment tests when circumstances indicate that the carrying value of an asset may not be recoverable. Expenditures for repairs and maintenance, which do not improve or extend the life of the assets, are expensed as incurred.

Goodwill

Goodwill represents the excess purchase price over the fair value of the net tangible and other identifiable intangible assets acquired. Goodwill is not amortized, but it is subject to an annual assessment for impairment, which the Company performs on its one reporting unit during the fourth quarter (as of December 31), or more frequently if events occur or circumstances change such that it is more likely than not that an impairment may exist.

In testing goodwill for impairment, the Company has the option to perform a qualitative test (also known as "Step 0") or a quantitative test ("Step 1"). Under the Step 0 test, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. Qualitative factors may include, but are not limited to, economic conditions, industry and market considerations, cost factors, overall financial performance of the reporting unit and other entity and reporting unit specific events. If after assessing these qualitative factors, the Company determines it is "more-likely-than-not" that the fair value of the reporting unit is less than the carrying value, then performing the Step 1 quantitative test is necessary.

Step 1 of the quantitative test requires comparison of the fair value of the Company's one reporting unit to the carrying value. If the carrying value of the reporting

unit is less than the fair value, no impairment exists. Otherwise, the Company would recognize an impairment charge for the amount by which the carrying amount of the reporting unit exceeds its fair value up to the amount of goodwill allocated to the reporting unit.

Under a Step 1 quantitative test, we estimate the fair value of our one reporting unit using a combination of the fair values derived from both the income approach and the market approach. Under the income approach, the Company uses a discounted cash flow methodology which requires management to make significant estimates and assumptions related to forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others. The discount rate used to determine the present value of future cash flows is based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the business's ability to execute on the projected cash flows. For the market approach, the Company uses the guideline public company method. The market approach estimates fair value based on market multiples of revenue and earnings derived from comparable publicly traded companies with similar operating and investment characteristics. The Company also reconciles the fair value of its reporting unit to its current market capitalization, allowing for a reasonable control premium.

Intangible Assets

Intangible assets acquired in a business combination are recorded at their estimated fair values at the date of acquisition. Identifiable intangible assets with finite lives are amortized over their estimated useful lives as follows:

Asset	Useful Life
Recipes	4 years
Brand names	15 years
Formula	10 years
Customer lists	5-10 years
Customer relationships	15 years

All amortization expense related to intangible assets is recorded in Amortization expense in the consolidated statements of operations.

Amortizable intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Lifeway conducts more frequent impairment assessments if certain conditions exist, such as a change in the competitive landscape, any internal decisions to pursue new or different strategies, a loss of a significant customer, or a significant change in the marketplace including changes in the prices paid for its products or changes in the size of the market for its products. If an evaluation of the undiscounted cash flows indicates impairment, the asset is written down to its estimated fair value, which is generally based on discounted future cash flows. If the estimated remaining useful life of an intangible asset is changed, the remaining carrying amount of the intangible asset is amortized prospectively over the revised remaining useful life.

Fair value measurements

Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Lifeway's financial assets and liabilities that are not carried at fair value on a recurring basis include cash and cash equivalents, accounts receivable, other receivables, accounts payable, accrued expenses and revolving line of credit for which carrying value approximates fair value.

The Company records its investments in equity securities without a readily determinable fair value at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. 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 $5,206 and recognized a gain on the sale of investment of $3,407 during 2025.

Income taxes

The Provision for income taxes includes federal, state, local and foreign income taxes currently payable, and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using enacted tax rates expected to apply to taxable income in the year in which the deferred tax assets or liabilities are expected to be realized or settled. The principal sources of temporary differences are different depreciation and amortization methods for financial statement and tax purposes, incentive compensation, unrealized gain, capitalization of indirect inventory costs for tax purposes, reserves for excess and obsolete inventory and the allowance for doubtful accounts. Valuation allowances are recorded to reduce deferred tax assets when it is more likely not that a tax benefit will not be realized. Deferred income tax expense or benefit is based on the changes in the asset or liability from period to period.

Lifeway analyzes filing positions in all the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Company recognizes the income tax benefit from an uncertain tax position when it is more likely than not that, based on technical merits, the position will be sustained upon examination, including resolutions of any related appeals or litigation processes. It applies a more likely than not threshold to the recognition and derecognition of uncertain tax positions. Accordingly, Lifeway recognizes the amount of tax benefit that has a greater than 50% likelihood of being ultimately realized upon settlement. Future changes in judgment related to the expected ultimate resolution of uncertain tax positions will affect earnings in the period of such change. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. The total amount of unrecognized tax benefits can change due to audit settlements, tax examination activities, statute expirations and the recognition and measurement criteria under accounting for uncertainty in income taxes. Lifeway recognizes penalties and interest related to unrecognized tax benefits in the provision (benefit) for income taxes in the consolidated statements of operations.

Share-based compensation

Share-based compensation expense is recognized for equity awards over the vesting period based on their grant date fair value. The fair value of restricted stock and performance share awards are equal to the closing price of Lifeway's stock on the date of grant. The Company does not estimate forfeitures in measuring the grant date fair value, but rather account for forfeitures as they occur.

The fair value of stock options are measured using the Black-Scholes option pricing model. The expected term of options granted was based on the weighted average time of vesting and the end of the contractual term. The Company utilized this simplified method as it did not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term.

The Company issues share-based equity awards from treasury shares.

Treasury stock

Treasury stock is recorded using the cost method.

Advertising costs

Advertising costs are expensed as incurred and reported in Selling expense in the Company's consolidated statements of operations. Total advertising expense was $9,837 and $5,447 for the years ended December 31, 2025 and 2024, respectively.

Earnings per common share

Basic earnings per common share is computed by dividing net income available to common stockholders by the weighted average number of common shares issued and outstanding during the reporting period. Diluted earnings per common share is computed by dividing net income available to common stockholders by the weighted average number of common shares issued and outstanding and the effect of all dilutive common stock equivalents related to the Company's outstanding stock-based compensation awards outstanding during the reporting period.

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.

Adopted

In December 2023, the FASB issued ASU No. 2023-09: Income Taxes (Topic 740): Improvements to Income Tax Disclosures that requires entities to disclose additional information about federal, state, and foreign income taxes primarily related to the income tax rate reconciliation and income taxes paid. The new standard also eliminates certain existing disclosure requirements related to uncertain tax positions and unrecognized deferred tax liabilities. The new standard is effective for our fiscal year ending December 31, 2025, and our interim periods during the fiscal year ending December 31, 2026. The Company adopted the standard retrospectively during the fourth quarter of 2025. The guidance did not affect recognition or measurement in the Company's consolidated financial statements. See Note 12 – Income Taxes for additional disclosures.

Note 3 – Inventories, net

	December 31,	
	2025	2024
Ingredients	$ 4,141	$ 2,519
Packaging	3,452	2,855
Finished goods	4,297	3,304
Total inventories, net	$ 11,890	$ 8,678

Note 4 – Property, Plant and Equipment, net

	December 31,

	2025	2024
Land	$ 1,565	$ 1,565
Buildings and improvements	24,497	23,520
Machinery and equipment	43,433	38,181
Vehicles	477	477
Office equipment	694	758
Construction in process	19,803	2,163
	90,469	66,664
Less accumulated depreciation	(42,187)	(39,802)
Total property, plant and equipment, net	$ 48,282	$ 26,862

Note 5 – Goodwill and Intangible Assets

Goodwill

Goodwill consisted of the following:

	Total
Balance at December 31, 2024	
Goodwill	$ 12,948
Accumulated impairment losses	(1,244)
	$ 11,704
Balance at December 31, 2025	
Goodwill	$ 12,948
Accumulated impairment losses	(1,244)
	$ 11,704

The Company performed an annual Step 1 impairment assessment for its single reporting unit as of December 31, 2025 and an annual Step 0 impairment assessment for its single reporting unit as of December 31, 2024, noting no impairment loss.

Approximately $1,664 of goodwill is deductible for income tax purposes.

Intangible Assets

The gross carrying amounts and accumulated amortization of intangible assets consisted of the following:
Schedule of other intangible assets

	December 31, 2025			December 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Recipes	$ 44	$ (44)	$ –	$ 44	$ (44)	$ –
Customer lists and other customer related intangibles	4,529	(4,529)	–	4,529	(4,529)	–
Customer relationship	3,385	(1,692)	1,693	3,385	(1,532)	1,853
Brand names	7,948	(3,823)	4,125	7,948	(3,443)	4,505
Formula	438	(438)	–	438	(438)	–
Total intangible assets, net	$ 16,344	$ (10,526)	$ 5,818	$ 16,344	$ (9,986)	$ 6,358

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

Year	Amortization
2026	$ 540
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 10.6 and 10.9 years, respectively, as of December 31, 2025. The weighted-average remaining amortization expense period for total intangible assets is 10.8 years as of December 31, 2025.

Note 6 – Accrued Expenses

Accrued expenses consisted of the following:

	December 31,	
	2025	2024
Payroll and incentive compensation	$ 4,386	$ 4,188
Real estate taxes	483	468
Accrued utilities	189	193
Current portion of operating lease liabilities	106	47
Other	249	207
Total accrued expenses	$ 5,413	$ 5,103

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 December 31, 2025, the Company had $0 outstanding under the Revolving Credit Facility. The Company had $25,000 available for future borrowings under the Revolving Credit Facility as of December 31, 2025.

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 for each fiscal quarter commencing with the fiscal quarter ending March 31, 2025, in each of the fiscal quarters ending through the expiration date. The Credit Agreement provides for events of default, including failure to repay principal and interest when due and failure to perform or violation of the provisions or covenants of the agreement, as a result of which amounts due under the Credit Agreement may be accelerated. The loans and all other amounts due and owed under the Credit Agreement and related documents are secured by substantially all of the Company's assets.

Lifeway was in compliance with the fixed charge coverage ratio and maximum cash flow leverage ratio covenants at December 31, 2025.

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 $209 and $148 (including short term leases) for the years ended December 31, 2025 and 2024, respectively.

Future maturities of lease liabilities were as follows:

Year	Operating Leases
2026	$ 149
2027	141
2028	132
2029	85
2030	57
Thereafter	20
Total lease payments	584
Less: Interest	(118)

Present value of lease liabilities	$ 466

The weighted-average remaining lease term for its operating leases was 4.2 years as of December 31, 2025. The weighted average discount rate of its operating leases was 10.59% as of December 31, 2025. Cash paid for amounts included in the measurement of lease liabilities was $110 and $89 for the year ended December 31, 2025 and 2024, 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

The provision for income taxes consists of the following:

	For the Years Ended December 31,	
	2025	2024
Current:		
Federal	$ 4,333	$ 3,371
State and local	1,764	1,512
Total current	6,097	4,883
Deferred	(270)	61
Provision for income taxes	$ 5,827	$ 4,944

The following is a reconciliation of income tax expense computed at the U.S. federal statutory tax rate to income tax expense reported in the consolidated statement of operations:

	2025		2024	
	Amount	Percentage	Amount	Percentage
Federal income tax at statutory rate	$ 4,137	21.0%	$ 2,933	21.0%
State and local income tax, net (a)	1,135	5.8%	737	5.3%
Section 162m	479	2.4%	1,074	7.7%
Stock based compensation	46	0.2%	167	1.2%
Other permanent differences	31	0.2%	29	0.2%
Change in tax laws or rates	(1)	0.0%	2	0.0%
Other	–	0.0%	2	0.0%
Provision for income taxes	$ 5,827	29.6%	$ 4,944	35.4%

(a) State taxes in Illinois made up the majority (greater than 50 percent) of this category.

The income taxes paid (net of refunds) to a jurisdiction that represent greater than 5% of the total income taxes paid are as follows:

	December 31,	
	2025	2024
Federal	$ 3,846	$ 4,151
State		
Illinois	1,087	1,134
California	–	338
Other (individually below 5% of total income taxes paid)	655	364
	$ 5,588	$ 5,987

The tax effects of temporary differences giving rise to deferred income tax assets and liabilities were:

	December 31,	
	2025	2024
Deferred tax liabilities attributable to:		

Accumulated depreciation and amortization	$ (4,196)	$ (3,829)
Unrealized gains	–	(467)
Total deferred tax liabilities	(4,196)	(4,296)
Deferred tax assets attributable to:		
Net operating losses	6	6
Unrealized loss	23	–
Accrued compensation	480	454
Incentive compensation	550	499
Inventory	349	279
Allowances for doubtful accounts and discounts	2	2
Other	(6)	(6)
Total net deferred tax assets	1,404	1,234
Net deferred tax liabilities	$ (2,792)	$ (3,062)

The following table details the Company's tax attributes related to net operating losses for which it has recorded deferred tax assets.

Tax Attributes	Gross Amount	Net Amount	Expiration Years
State net operating losses	$ 116	$ 6	2035
		$ 6	

Lifeway is subject to U.S. federal income tax as well as income tax in multiple state and city jurisdictions. With limited exceptions, Lifeway's calendar year 2022 and subsequent federal and state tax years remain open by statute. As of December 31, 2025, the unrecognized tax benefit is $0.

The amount of interest and penalties recognized in the consolidated statements of operations was $0 during 2025 and 2024, respectively. The amount of accrued interest and penalties recognized in the consolidated balance sheets was $0 at December 31, 2025 and 2024, respectively.

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 or cash flows in 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 December 31, 2025, 2.61 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 December 31, 2025, 382 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:

	Year Ended December 31,	
	2025	2024
	(In Thousands)	
Compensation expense related to stock-based payments	$ 1,947	$ 2,446
Related income tax benefit	$ 545	685

Stock Options

The following table summarizes stock option activity during the year ended December 31, 2025:

	Options	Weighted average exercise price	Weighted average remaining contractual life	Aggregate intrinsic value
	(In thousands)			
Outstanding at December 31, 2024	30	$ 10.42	1.21	$ 426
Granted	–	–	–	–
Exercised	(3)	11.10	–	–
Forfeited	(14)	11.10	–	–
Outstanding at December 31, 2025	13	9.57	0.49	193
Exercisable at December 31, 2025	13	9.57	0.49	193

Restricted Stock Units

Restricted stock unit awards are granted to certain members of management and the Board of Directors. Restricted stock unit awards generally vest based on the passage of time in approximately three equal installments on each of the first three anniversaries 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 year ended December 31, 2025.

	Restricted Stock Units	Weighted Average Grant Date Fair Value
	(In thousands)	
Nonvested, at December 31, 2024	190	$ 8.77
Granted	36	24.21
Shares issued upon vesting	(42)	9.68
Forfeited	(13)	11.74
Nonvested, at December 31, 2025	171	11.55
Earned and deferred, at December 31, 2025	80	9.05

Unrecognized compensation expense related to nonvested restricted stock units was $785 as of December 31, 2025 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 2023 through 2025, 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 year ended December 31, 2025.

	Performance Units	Weighted Average Grant Date Fair Value
	(In thousands)	
Nonvested at December 31, 2024	306	$ 8.08
Granted (1)	91	13.45
Shares issued upon vesting	(174)	6.25
Forfeited	(24)	8.41
Nonvested at December 31, 2025	199	$ 12.10

(1) Includes 55 thousand additional shares granted in connection with the vesting of the 2022 award in 2025 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 $1,281 as of December 31, 2025 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.

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 years ended December 31, 2025 and 2024 total contribution expense recognized in the consolidated statements of operations was $736 and $650, 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:

	Year Ended December 31,	
	2025	2024
	(In thousands)	
Weighted average common shares outstanding	15,200	14,769
Assumed exercise/vesting of equity awards	339	361
Weighted average diluted common shares outstanding	15,539	15,130

Note 13 – Disaggregation of Revenue, Significant Customers, and Geographic Information

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 years ended December 31:

	2025		2024	
In thousands	$	%	$	%
Drinkable Kefir other than ProBugs	181,423	85%	153,493	82%
Cheese	16,571	8%	14,554	8%
Cream and other	8,693	4%	8,299	4%
Drinkable Yogurt	2,284	1%	5,619	3%
ProBugs Kefir	2,214	1%	3,421	2%
Other dairy	1,311	1%	1,434	1%
Net Sales	212,496	100%	186,820	100%

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 24% and 25% of net sales for the years ended December 31, 2025 and 2024, respectively. Two major customers accounted for a total of 24% and 26% of accounts receivable as of December 31, 2025 and 2024, respectively.

Geographic Information

Net sales outside the of the United States represented less than 1% of total consolidated net sales in 2025 and 2024. 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 is purchasing 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 $635 in prepaid and other current assets and $2,235 in other assets as of December 31, 2025 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 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure material information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer, principal financial officer and principal accounting officer, as appropriate, to allow timely decisions regarding required financial disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

As of December 31, 2025 (the "Evaluation Date"), we conducted an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2025 in ensuring that information required to be disclosed by us under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified under the Exchange Act rules.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is identified in Exchange Act Rules 13a-15(f). Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer, principal financial officer and principal accounting officer, and effected by the Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;
- provide reasonable assurance that our transactions are recorded as necessary to permit preparation of our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures of the Company are being made only in accordance with authorizations of our management and our directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our consolidated financial statements.

Internal control over financial reporting has inherent limitations which may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the level of compliance with related policies or procedures may deteriorate.

Management, including our Chief Executive Officer and our Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2025. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control - Integrated Framework (2013). Based on this assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2025.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

During the quarter ended December 31, 2025, 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(a) of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item 10 will be included in our definitive Proxy Statement to be filed no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

Code of Conduct and Code of Ethics

We have adopted a Code of Conduct applicable to all members of the Board, executive officers, and employees and a Code of Ethics applicable to all members of the Board and executive officers, including our principal executive officer and principal financial officer. The Code of Conduct and the Code of Ethics are available on our available on our website at www.lifewaykefir.com. Information contained on the website is not incorporated by reference in, or considered part of, this proxy statement. We intend to disclose on our website any amendments to, or any waivers under, the Code of Ethics that are required to be disclosed by the rules of the SEC or Nasdaq.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item 11 will be included in our definitive Proxy Statement to be filed no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item 12 will be included in our definitive Proxy Statement to be filed no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this Item 13 will be included in our definitive Proxy Statement to be filed no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this Item 14 will be included in our definitive Proxy Statement to be filed no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

1. A list of the Financial Statements and Financial Statement Schedules filed as part of this Report is set forth in Part II, Item 8, which list is incorporated herein by reference.

2. Financial Statement Schedules – Separate financial statement schedules have been omitted either because they are not applicable or because the required information is included in the consolidated financial statements

3. Exhibits.

No.	Description	Form	Period Ending	Exhibit	Filing Date
3.1	Articles of Incorporation, as amended and currently in effect	10-K	12/31/2013	3.2	4/2/2014
3.2	Certificate of Designations of Series A Junior Participating Preferred Stock of Lifeway Foods, Inc., effective as of November 4, 2024	10-Q	9/30/2024	3.1	11/14/2024
3.3	Second Amended and Restated Bylaws, as amended and currently in effect	Filed herewith			
4.1	Description of Securities	Filed herewith			
4.2	Shareholder Rights Agreement, dated as of November 4, 2024, by and between Lifeway Foods, Inc. and Computershare Trust Company, N.A., as rights agent	8-A		4.1	11/5/2024
4.3	Amendment No. 1 to Shareholder Rights Agreement, dated as of October 29, 2025, by and between the Company and Computershare Trust Company, N.A., as rights agent	8-A12B/A		4.2	10/29/25
4.4	Cooperation Agreement, dated as of September 30, 2025, by and between Lifeway Foods, Inc. and Danone North America PBC	8-K		4.1	10/1/2025
10.1**	Stockholders' Agreement dated October 1, 1999 by and among Danone Foods, Inc., Lifeway Foods, Inc., Michael Smolyansky and certain other parties	8-K		10.11	10/12/1999
10.2**	Letter Agreement dated December 24, 1999 by and among Danone Foods, Inc., Lifeway Foods, Inc., Michael Smolyansky and certain other parties	8-K		10.12	1/12/2000
10.3	Amended and Restated Loan and Security Agreement dated as of May 7, 2018 among Lifeway Foods, Inc., Fresh Made, Inc., The Lifeway Kefir Shop, LLC, Lifeway Wisconsin, Inc., and CIBC Bank USA, as Lender.	8-K		10.1	5/11/2018
10.4	Employment Agreement by and between the Company and Amy Feldman, dated as of October 29, 2018	8-K		10.1	11/1/2018
10.5	Employment Agreement by and between the Company and Eric Hanson, dated as of January 18, 2019	8-K		10.1	1/23/2019
10.6	First Modification to Amended and Restated Loan and Security Agreement dated as of April 10, 2019 among Lifeway Foods, Inc., Fresh Made, Inc., The Lifeway Kefir Shop, LLC, Lifeway Wisconsin, Inc., and CIBC Bank USA, as Lender.	10-K	12/31/2018	10.10	4/15/2019

No.	Description	Form	Period Ending	Exhibit	Filing Date
10.7	Second Modification to Amended and Restated Loan and Security Agreement, effective as of December 10, 2019 by and among Lifeway Foods, Inc., Fresh Made, Inc., The Lifeway Kefir Shop, LLC, Lifeway Wisconsin, Inc., and CIBC Bank USA, as Lender.	8-K		10.1	12/10/2019
10.8	Third Modification to Amended and Restated Loan and Security Agreement dated as of September 30, 2020 among Lifeway Foods, Inc., Fresh Made, Inc., The Lifeway Kefir Shop, LLC, Lifeway Wisconsin, Inc., and CIBC Bank USA, as Lender.	10-Q	9/30/2020	10.1	10/6/2020
10.9	Fourth Modification to Amended and Restated Loan and Security Agreement, dated as of August 18, 2021, by and among Lifeway Foods, Inc., Fresh Made, Inc., The Lifeway Kefir Shop, LLC, Lifeway Wisconsin, Inc., and CIBC Bank USA, as Lender	8-K		10.1	8/20/2021
10.10	Fifth Modification to Amended and Restated Loan and Security Agreement, dated as of February 5, 2025, by and among Lifeway Foods, Inc., Fresh Made, Inc., Lifeway Wisconsin, Inc., and CIBC Bank USA, as Lender	8-K		10.1	2/7/2025
10.11	Sixth Modification to Amended and Restated Loan and Security Agreement dated as of December 29, 2025, by and among Lifeway Foods, Inc., Fresh Made, Inc., Lifeway Wisconsin, Inc. and CIBC Bank USA, as Lender	8-K		10.1	12/30/2025
10.12+	Lifeway Foods, Inc. Omnibus Incentive Plan	8-K		10.2	12/18/2015

10.13+	Notice of Restricted Stock Unit Award	8-K		10.3	12/18/2015
10.14+	Notice of Performance Unit Award	8-K		10.4	12/18/2015
10.15+	Notice of Restricted Stock Award	8-K		10.5	12/18/2015
10.16+	Notice of Non-Qualified Stock Option Award	8-K		10.6	12/18/2015
10.17+	Lifeway Foods, Inc. 2022 Omnibus Incentive Plan	8-K		10.1	9/2/2022
10.18+	Form of Notice of Restricted Stock Unit Award under the Lifeway Foods, Inc. 2022 Omnibus Incentive Plan	10-Q	9/30/2022	10.7	11/14/2022
10.19+	Form of Notice of Performance-Based Restricted Stock Unit Award under the 2022 Omnibus Incentive Plan	10-Q	9/30/2022	10.8	11/14/2022
10.20+	Form of Notice of Deferred Time-Vested Cash Award	8-K		10.1	3/11/2026
10.21+	Form of Notice of Deferred Performance Based Cash Award	8-K		10.2	3/11/2026

No.	Description	Form	Period Ending	Exhibit	Filing Date
10.22+	Lifeway Foods, Inc. 2022 2022 Non-Employee Director Equity and Deferred Compensation Plan	8-K		10.2	9/2/2022
10.23+	Form of Notice of Restricted Stock Unit Award under the Lifeway Foods, Inc. 2022 Non-Employee Director Equity and Deferred Compensation Plan	10-Q	9/30/2022	10.6	11/14/2022
10.24+	First Amendment to the 2022 Non-Employee Director Equity and Deferred Compensation Plan	10-Q	6/30/2024	10.1	8/13/2024
10.25+	Restricted Stock Unit Award Agreement, dated as of April 27, 2022, by and between the Company and Jason Scher	10-K	12/31/2022	10.29	3/27/2023
10.26+	Amended and Restated Employment Agreement, dated as of December 23, 2024, by and between the Company and Julie Smolyansky	8-K		10.1	12/23/2024
10.27+	Retention Bonus Agreement, dated as of December 23, 2025, by and between the Company and Julie Smolyansky	8-K		10.2	12/23/2024
10.28	Separation Agreement dated as of June 16, 2025, between Lifeway Foods, Inc. and Amy Feldman.	8-K		10.1	6/23/2025
19.1	Lifeway Foods, Inc. Policy on Insider Trading	10-K	12/31/24	19.1	3/14/2025
21	List of Subsidiaries of the Registrant	Filed Herewith			
23.1	Consent of Grant Thornton LLP	Filed Herewith			
24.1	Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K)				
31.1	Rule 13a-14(a)/15d-14(a) Certification of Julie Smolyansky				
31.2	Rule 13a-14(a)/15d-14(a) Certification of Eric Hanson				
32.1*	Section 1350 Certification of Julie Smolyansky				
32.2*	Section 1350 Certification of Eric Hanson				
97	Lifeway Foods, Inc. Incentive Compensation Clawback Policy	10-K	12/31/24	97	3/14/2025
101*	The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2025, formatted in inline XBRL, include: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.				

+ Indicates a management contract or compensatory plan or arrangement.

* This exhibit is furnished and not deemed filed with the Securities and Exchange Commission, and is not incorporated by reference into any filing of Lifeway Foods, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of filing this Form 10-K and irrespective of any general incorporation language contained in such filing.

** The Company believes this agreement is null and void but has included it in this Exhibit List for completeness.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 17, 2026

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

Date: March 17, 2026

By: /s/ Eric Hanson
Eric Hanson
Chief Financial & Accounting Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each individual whose signature appears below hereby constitutes and appoints Julie Smolyansky and Eric Hanson, and each of them individually, his or her true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to (i) act on, sign and file with the Securities and Exchange Commission any and all amendments to this Report together with all schedules and exhibits thereto, (ii) act on, sign and file with the Securities and Exchange Commission any and all exhibits to this Report and any and all exhibits and schedules thereto, (iii) act on, sign and file any and all such certificates, notices, communications, reports, instruments, agreements and other documents as may be necessary or appropriate in connection therewith and (iv) take any and all such actions which may be necessary or appropriate in connection therewith, granting unto such agents, proxies and attorneys-in-fact, and each of them individually, full power and authority to do and perform each and every act and thing necessary or appropriate to be done, as fully for all intents and purposes as he or she might or could do in person, and hereby approving, ratifying and confirming all that such agents, proxies and attorneys-in-fact, any of them or any of his, her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 17, 2026

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

Date: March 17, 2026

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

Date: March 17, 2026

/s/ Kirk Chartier
Kirk Chartier
Director

Date: March 17, 2026

/s/ Juan Carlos Dalto
Juan Carlos Dalto
Director

Date: March 17, 2026

/s/ Rachel Drori
Rachel Drori
Director

Date: March 17, 2026

/s/ Andee Harris
Andee Harris
Director

Date: March 17, 2026	/s/ Susan Hultquist Susan Hultquist Director
Date: March 17, 2026	/s/ Dorri McWhorter Dorri McWhorter Director
Date: March 17, 2026	/s/ Jason Scher Jason Scher Director