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YOOREAM INTERNATIONAL REPORTS
THIRD QUARTER SALES UP 31% AND EARNINGS UP 104%

PORTLAND, OR – SEPTEMBER 18, 2006 – YoCream International, Inc. (Pink Sheets: YOOCM), a manufacturer and wholesaler of frozen desserts and beverages, today reported the financial results for the third quarter and nine months ended July 31, 2006.

Sales for the three months ended July 31, 2006 increased 30.5% to \$7,694,000, compared to sales of \$5,895,000 in the third quarter of 2005. For the nine months ended July 31, 2006, sales increased 15.2% to \$16,634,000 compared with \$14,438,000 in the same period of 2005. The breakdown of sales by category was as follows:

<u>Category</u>	<u>2006</u>	<u>% Total</u>	<u>2005</u>	<u>% Total</u>	<u>Dollar Increase</u>	<u>% Change</u>
Frozen Desserts	\$ 9,953,000	59.8%	\$ 9,498,000	65.8%	\$ 455,000	4.8%
Frozen Beverages	5,747,000	34.6%	4,876,000	33.8%	871,000	17.9%
Co-packing	934,000	5.6%	64,000	0.4%	870,000	N/A
Total	<u>\$16,634,000</u>	<u>100.0%</u>	<u>\$14,438,000</u>	<u>100.0%</u>	<u>\$ 2,196,000</u>	<u>15.2%</u>

Sales were up in all categories, with most of the growth coming from custom manufacturing and sales of the Jolly Rancher® frozen beverage line, which was launched earlier in the year. The Company has been experiencing double digit increases on a monthly basis since the beginning of the third quarter and expects this trend to continue, due to recent agreements to supply the Jolly Rancher® frozen beverage line to the food courts of significant national chains.

Gross profit increased 17.0% over the third quarter of 2005, and 8.1% over the nine months of 2005. The increase in gross profit is directly related to the higher sales, discussed above. Gross profit margins for the third quarter were 20.5% in 2006

compared with 22.9% in 2005. For the nine months, gross profit margins were 24.3% in 2006 compared with 25.9% in 2005. The increase in co-packing or custom manufacturing, while favorable, has impacted gross margin percentages; however, marketing and sales expenses are not required to support this business. Margins have also been impacted as a result of the trend in fuel prices and an increase in outside storage costs during the expansion of the Company's production facilities. Management continues to analyze solutions to these cost increases, and pursue opportunities to reduce materials, production, and distribution costs.

Sales and marketing expenses in the third quarter of 2006 were 9.5% of sales compared with 11.2% of sales in 2005. For the nine months ended July 31, 2006, expenses were 11.2% of sales, compared with 12.2% of sales in 2005. The reduction of sales and marketing expenses as a percentage of sales was a direct result of increased sales.

General and administrative expenses for the third quarter and nine months of 2006 were slightly less than in the same periods of 2005. Results have benefited from management's efforts to control such costs, along with the favorable effect of the action taken by the Company to voluntarily delist its stock. Company stock is now being traded on Pink Sheets. com.

Operating income in the third quarter of 2006 increased 127% to \$280,000 compared with \$123,000 for the same period in 2005. For the nine months ended July 31, 2006, operating income increased 73.9% to \$546,000 compared with \$314,000 for the same period in 2005. The increase in operating income was primarily due to increased sales.

The effective tax rate in the third quarters of 2006 and 2005 was 36.5% and 17.6%, respectively. For the nine-month periods in 2006 and 2005, the effective tax rate was 36.5% and 27%, respectively.

Net income in the third quarter of 2006 increased 104% to \$207,000, or \$0.10 per share, compared with \$0.05 per share for the same period in 2005. Net income for the nine months ended July 31, 2006 increased 95.1% to \$358,000, or \$0.17 per share, compared with \$0.09 per share for the same period in 2005.

The Company is in the process of completing a 20,000 sq. ft. expansion of its production facilities to accommodate increased business activity. The projected cost for construction, equipment and financing is approximately \$8.4 million, with permanent financing to be provided through a \$6.7 million 30-year industrial revenue bond. Project financing to date has primarily been provided from internal sources. At July 31, 2006, long-term debt includes \$1,562,000 of construction obligations, which the Company intends to finance with the industrial revenue bonds. In the third quarter of 2006 the Company borrowed \$946,000 under its \$2 million unsecured line of credit, and arranged a \$4 million secured term loan for bridge financing. The facility is expected to be completed and the bonds sold by the end of the fourth quarter 2006.

Pursuant to a plan approved by the board on June 23, 2006, directors and senior managers holding stock options for 255,000 shares voluntarily surrendered those options in exchange for an equal number shares of restricted stock. One-third of the restricted stock will vest annually over a ten-year period, and the balance will vest based on achieving certain performance objectives related to growth in sales and EBITDA. The first vesting based on performance would be at the end of fiscal year 2007. In general, the plan approved by the board reflects the business philosophy that equity in the Company should be used as an incentive to achieve growth in shareholder value in lieu of more cash compensation.

YoCream International, Inc., with headquarters and manufacturing facility in Portland, OR, is a pioneer and leading producer of frozen yogurt. Founded in 1977, YoCream produces, markets and sells its flagship product under the Dannon® YoCream® Frozen Yogurt brand. The Company also produces ice cream and frozen custard mixes under the YoCream brand. YoCream's frozen beverage product lines include Fruitquake® Smoothies, ready-to-use aseptically packaged real fruit smoothies; Frozen Dannon® Frusion® Smoothie, a ready-to-use frozen blended yogurt and fruit smoothie; and new Jolly Rancher™ Frozen Beverages, shelf-stable bag-in-box drink mix. With a proven history of providing high-quality products and solution-based customer service, YoCream International is an established food service vendor, co-packer, and industry leader poised for long-term growth.

This release may contain certain forward-looking statements, which are based on management's current expectations. Factors that could cause future results to vary materially from these expectations include, but are not limited to, change in distribution abilities, level of customer acceptance of new products, change in co-packing relationships and strategic alliances and other economic, competitive, governmental, and regulatory factors affecting the Company's operations, pricing, products and service.

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YOCREAM INTERNATIONAL, INC.
STATEMENTS OF INCOME

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2006	2005	2006	2005
Sales	\$ 7,694,366	\$ 5,894,733	\$16,634,316	\$ 14,438,153
Cost of goods sold	<u>6,117,666</u>	<u>4,547,530</u>	<u>12,591,128</u>	<u>10,697,940</u>
Gross profit	1,576,700	1,347,203	4,043,188	3,740,213
Selling, and marketing expenses	730,561	657,488	1,864,836	1,761,706
General and administrative expenses	<u>566,097</u>	<u>566,412</u>	<u>1,632,814</u>	<u>1,664,738</u>
Income from operations	280,042	123,303	545,538	313,769
Other income (expenses)				
Interest income	1,070	9,103	15,618	20,048
Interest expense	19,820	(37,587)	(42,883)	(108,298)
Other (net)	<u>24,878</u>	<u>28,314</u>	<u>46,016</u>	<u>26,067</u>
Income before income taxes	325,810	123,133	564,289	251,586
Income tax provision	<u>119,000</u>	<u>21,700</u>	<u>206,000</u>	<u>67,900</u>
Net income	<u>\$ 206,810</u>	<u>\$ 101,433</u>	<u>\$ 358,289</u>	<u>\$ 183,686</u>
Earnings per common share – basic	<u>\$0.10</u>	<u>\$0.05</u>	<u>\$0.17</u>	<u>\$0.09</u>
Earnings per common share – diluted	<u>\$0.10</u>	<u>\$0.05</u>	<u>\$0.17</u>	<u>\$0.09</u>
Shares used in basic earnings per share	<u>2,052,898</u>	<u>2,109,338</u>	<u>2,061,522</u>	<u>2,142,624</u>
Shares used in diluted earnings per share	<u>2,055,722</u>	<u>2,131,218</u>	<u>2,064,355</u>	<u>2,152,284</u>

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YOCREAM INTERNATIONAL, INC
BALANCE SHEETS

	July 31, 2006 <u>(Unaudited)</u>	<u>October 31, 2005</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 164,720	\$ 2,759,066
Trade accounts receivable, net	1,935,465	722,065
Inventories	3,432,146	2,368,293
Other current assets	503,765	347,525
Income taxes receivable	-	37,351
Deferred tax asset	<u>193,027</u>	<u>193,027</u>
Total current assets	6,229,123	6,427,327
Fixed assets, net	10,922,734	6,401,603
Intangible and other long-term assets, net	<u>463,852</u>	<u>426,617</u>
	<u>\$ 17,615,709</u>	<u>\$ 13,255,547</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	\$ 415,346	\$ 415,346
Note payable – line of credit	945,565	-
Trade accounts payable	3,378,898	1,519,342
Income taxes payable	37,997	-
Other accrued liabilities	<u>231,826</u>	<u>233,925</u>
Total current liabilities	5,009,632	2,168,613
Long-term debt, less current portion	3,094,090	1,856,405
Deferred income taxes	1,269,927	1,135,327
Other liabilities	<u>78,140</u>	<u>63,330</u>
Total liabilities	<u>9,451,789</u>	<u>5,223,675</u>
Shareholders' equity		
Common stock, no par value, 30,000,000 shares authorized		
2,052,898 shares outstanding at July 2006, and		
2,104,600 shares outstanding at October 2005	6,354,965	5,468,006
Unearned compensation – restricted stock	(2,622,000)	(1,500,000)
Retained earnings	4,401,055	4,042,766
Accumulated other comprehensive income	<u>29,900</u>	<u>21,100</u>
Total shareholders' equity	<u>8,163,920</u>	<u>8,031,872</u>
	<u>\$ 17,615,709</u>	<u>\$ 13,255,547</u>

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YOCREAM INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS

For the nine months ended July 31, 2006 and 2005
(Unaudited)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Net income	\$ 358,289	\$ 183,686
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	481,275	473,835
Gain on disposal of equipment	(24,878)	(2,767)
Deferred income taxes	129,000	40,848
Change in assets and liabilities		
Trade accounts receivable	(1,213,400)	(575,631)
Inventories	(1,063,853)	(185,004)
Other assets	(193,475)	(251,401)
Trade accounts payable	1,859,556	375,510
Income taxes receivable and payable	75,348	45,854
Other accrued liabilities	12,711	8,814
Net cash provided by operating activities	<u>420,573</u>	<u>113,744</u>
Cash flows from investing activities		
Expenditures for fixed assets	<u>(4,977,528)</u>	<u>(332,908)</u>
Net cash used in investing activities	<u>(4,977,528)</u>	<u>(332,908)</u>
Cash flows from financing activities		
Proceeds from line of credit	945,565	-
Proceeds from issuance of long-term debt	1,562,446	-
Principal payments on long-term debt	(310,361)	(301,343)
Repurchase of common stock	<u>(235,041)</u>	<u>(762,942)</u>
Net cash provided by (used in) financing activities	<u>1,962,609</u>	<u>(1,064,285)</u>
Net decrease in cash and cash equivalents	(2,594,346)	(1,283,449)
Cash and cash equivalents, beginning of period	<u>2,759,066</u>	<u>3,806,993</u>
Cash and cash equivalents, end of period	<u>\$ 164,720</u>	<u>\$ 2,523,544</u>

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