



Medical Nutrition USA, Inc.
10 West Forest Avenue, Englewood, NJ 07631

FOR IMMEDIATE RELEASE

Contact: Myra Gans
Executive Vice President, Secretary
201 569 1188

Medical Nutrition USA Announces Improved Second Quarter Results

Highlights

- **Sales increase 80%**
- **Branded product sales increase 809%**
- **375 additional nursing homes and clinics start using Pro-Stat™ in the quarter.**
- **Operating income increases by \$142,500**
- **Cash flow from operations increases by \$725,800**

ENGLEWOOD, NJ — September 14, 2004. Medical Nutrition USA, Inc., (OTCBB: MDNU) today announced significantly improved financial results for the quarter ended July 31, 2004.

Review of Operating Results

Total sales for the second quarter increased 80% to \$1,116,900 from \$620,700 in the prior year. Branded product sales increased 809% to \$621,100 primarily as a result of approximately 375 additional nursing homes and dialysis clinics that began using Pro-Stat™, the Company's hydrolyzed liquid modular protein. As expected, private label sales decreased 11% to \$495,800 in line with the company's emphasis on branded product sales.

Gross margin as a percentage of sales increased to 48.8% from 47.9% primarily as a result of the Company's strategy to increase its sales of branded products. Total gross profit increased 83% to \$545,100 from \$297,400.

Selling, general and administrative costs increased to \$509,600 from \$404,400, primarily as a result of planned increases in sales and marketing expenses offset by lower legal and professional costs.

Operating income increased \$142,500 to \$35,500, compared to an operating loss of \$107,000 for the prior year period.

Cash flow from operations increased by \$725,800 to \$234,400 compared to negative cash flow of \$491,400 in the prior year period.

Net loss for the quarter was \$24,200, (.01 per share), versus a net loss of \$143,400, (.07 per share) last year.

"We are pleased with our direction and momentum. The investments we have made in marketing our branded products are beginning to pay off, cash flow from operations is positive and sales continue to be very strong. The entire team is executing well," said Frank A. Newman, chairman and chief executive officer.

Outlook

The company also announced that it intends to increase its level of sales and marketing expenditures for the next several quarters in order to accelerate the timetable to achieve 20% penetration of the long-term care market, a goal it had previously targeted to reach within three years. "With the recent introduction of new Pro-Stat™ 121, we see an opportunity to grow branded sales even more rapidly and will be devoting greater staff and marketing resources to this effort," said Newman. "At this important stage in our growth, and now that we have achieved positive cash flow, we think it advisable to use some of our excess cash to capture greater market share, even at the expense of short-term profit."

As a result of this effort, the Company expects branded product sales to increase approximately 500% in the third quarter on top of a 234% increase in the third quarter of last year.

Sales of private label products, which the company is de-emphasizing in favor of growing its branded products business, are expected to decline in the quarter. The Company expects the rapid rate of growth in sales of branded products to offset the effect of lower private label sales.

Medical Nutrition USA, Inc (<http://www.pro-stat.info>) develops and distributes products for the nutritionally at risk who are under medical supervision. Its products are used primarily in long-term care facilities, hospitals, dialysis clinics and bariatric clinics. The company's product lines include Pro-Stat™, Collagen Plus™ and the **pbs** Nutritional Support System™, as well as private label products.

Forward-Looking Statements

This press release contains forward-looking statements that are subject to certain risks and uncertainties. Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed. Risks and uncertainties that could cause or contribute to such material difference include, but are not limited to, general economic conditions, changes in customer demand, changes in trends in the nursing home, renal care, health food and bariatric surgery markets, changes in competitive pricing for products, and the impact of our competitors new product introductions. Our future financial condition and results of operations, as well as any forward-looking statements are subject to change and inherent risk and uncertainties. Other important factors that may cause actual results to differ materially from those expressed in forward-looking statement are discusses in the Company's Securities and Exchange Commission filings

MEDICAL NUTRITION USA, INC.
CONSOLIDATED BALANCE SHEETS

	<u>JULY</u> <u>31, 2004</u>	<u>JANUARY</u> <u>31, 2004</u>
ASSETS		
Current Assets:		
Cash	\$ 2,028,000	\$ 2,337,200
Accounts receivable, net of allowance of \$6,200 and \$3,300 at July 31, 2004 and January 31, 2004, respectively	581,000	161,500
Inventories	110,200	93,900
Other current assets	<u>29,000</u>	<u>75,700</u>
Total current assets	2,748,200	2,668,300
Fixed assets, net of accumulated depreciation of \$124,300 and \$117,900, respectively	41,400	32,500
Other assets:		
Security Deposits	22,700	15,300
Investment in Organics Corporation of America	125,000	125,000
Intangible assets, net of amortization	<u>83,800</u>	<u>65,100</u>
	<u><u>\$ 3,021,100</u></u>	<u><u>\$ 2,906,200</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	525,800	322,300
Customer deposits	<u>1,900</u>	<u>1,000</u>
Total current liabilities	527,700	323,300
Non-current Liabilities:		
Convertible promissory notes	<u>3,377,500</u>	<u>3,377,500</u>
Total Liabilities	3,905,200	3,700,800
Shareholders' Equity:		
Common stock, no par value; 70,000,000 shares authorized; 2,783,759 issued and outstanding at July 31, 2004 and January 31, 2004	10,837,200	10,837,200
Accumulated deficit	<u>(11,710,900)</u>	<u>(11,621,400)</u>
	(873,700)	(784,200)
Less: treasury stock, at cost	<u>(10,400)</u>	<u>(10,400)</u>
Total stockholders' equity (deficit)	<u>(884,100)</u>	<u>(794,600)</u>
	<u><u>3,021,100</u></u>	<u><u>2,906,200</u></u>

MEDICAL NUTRITION USA, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	SIX MONTHS ENDED JULY 31,		THREE MONTHS ENDED JULY 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Sales	\$2,357,500	\$856,700	\$1,116,900	\$620,700
Cost of sales	<u>1,200,400</u>	<u>445,400</u>	<u>571,800</u>	<u>323,300</u>
Gross profit	<u>1,157,100</u>	<u>411,300</u>	<u>545,100</u>	<u>297,400</u>
Selling, general and administrative expenses	1,127,300	1,039,800	509,600	404,400
Operating Income (loss)	<u>29,800</u>	<u>(628,500)</u>	<u>35,500</u>	<u>(107,000)</u>
Other income expense				
Interest income	15,100	3,100	8,000	2,800
Interest expense	<u>(134,400)</u>	<u>(47,100)</u>	<u>(67,700)</u>	<u>(39,200)</u>
Total other income (expense)	<u>(119,300)</u>	<u>(44,000)</u>	<u>(59,700)</u>	<u>(36,400)</u>
Net (loss)	<u>(\$89,500)</u>	<u>(\$672,500)</u>	<u>(\$24,200)</u>	<u>(\$143,400)</u>
Basic and diluted per share data:				
Net (loss)	<u>(\$0.03)</u>	<u>(\$0.36)</u>	<u>(\$0.01)</u>	<u>(\$0.07)</u>
Weighted average number of shares outstanding	<u>2,783,759</u>	<u>1,875,730</u>	<u>2,783,759</u>	<u>1,981,887</u>