



FOR IMMEDIATE RELEASE

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

Medical Nutrition USA Announces First Quarter Earnings

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 statements are discussed in the Company's Securities and Exchange Commission filings.

Highlights:

- **Total sales increase 442% from the first quarter of last year.**
- **Gross margin improves to 48.8% from 46.8%**
- **Branded product sales increase 660%**
- **EPS improves to (\$.02) from (\$.30)**

ENGLEWOOD, NJ — June 10, 2004. Medical Nutrition USA, Inc., (OTCBB: MDNU) today announced financial results for its fiscal 2005 first quarter ended April 30, 2004. Net loss for the quarter totaled \$65,000, or (\$.02) per share, versus a net loss of \$529,000, or (\$.30) per share for the first fiscal quarter of last year.

Review of Operating Results

Net sales for the first quarter increased 442% to \$1,240,700 from \$229,000 in the first quarter of the prior year. Branded product sales increased 660% to \$508,500 and private label sales increased 352% to \$732,200. During the quarter approximately 268 additional nursing homes and dialysis clinics began using Pro-Stat™, the Company's hydrolyzed liquid modular protein. New private label products and initial shipments of the **pbs** Nutritional Support System, engineered for bariatric surgery patients, also contributed to the increased sales.

Gross margin as a percentage of sales increased to 48.8% from 46.8%. The improvement in gross margin rate resulted from the Company's strategy to increase its sales of branded products. Total gross profit increased 464% to \$605,100.

Selling, general and administrative costs decreased by \$17,900 to \$610,800, as a result of planned increases in sales and marketing expenses offset by lower legal and professional costs.

Operating loss decreased to \$5,900 from \$521,500.

Outlook

Based on the strength of first quarter results, the Company is reaffirming its expectation of profitability for the fiscal year ending January 31, 2005.

For the second quarter, the Company expects branded product sales to continue increasing at about 600% compared to last year. Private label sales, which historically produce large monthly and quarterly fluctuations in revenue as a result of our customers' promotional cycles, are expected to decline in the quarter. The Company expects the rapid rate of growth in sales of branded products to reduce the effect of private label sales fluctuations over time.

Frank Newman, chairman and chief executive officer said, "We feel very good about our results to date and remain on track to be profitable for the year. Our entire team performed exceptionally well."

MEDICAL NUTRITION USA, INC.

BALANCE SHEETS

	<u>April 30, 2004</u>	<u>January 31, 2004</u>
ASSETS		
Current assets:		
Cash	\$1,814,300	\$ 2,337,200
Accounts receivable, net of allowance of \$3,300 at April 30, 2004 and January 31, 2004, respectively	725,300	161,500
Inventories	112,000	93,900
Other current assets	<u>62,800</u>	<u>75,700</u>
Total current assets	2,714,400	2,668,300
Fixed assets, net of accumulated depreciation of \$117,900 and \$108,500, respectively	32,000	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>76,200</u>	<u>65,100</u>
	<u>\$2,970,300</u>	<u>2,906,200</u>
<hr style="border: 1px solid blue;"/>		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 438,400	\$322,300
Customer deposits	<u>14,300</u>	<u>1,000</u>
Total current liabilities	452,700	323,300
Non-current Liabilities:		
Convertible notes payable	3,377,500	3,377,500
Bank loan, net of current portion	<u> </u>	<u> </u>
Total liabilities	<u>3,830,200</u>	<u>3,700,800</u>
Stockholders' Equity:		
Common stock, no par value; 70,000,000 shares authorized; 2,783,759 issued and outstanding at April 30, 2004 and January 31, 2004.	10,837,200	10,837,200
Accumulated deficit	<u>(11,686,700)</u>	<u>(11,621,400)</u>
Less: treasury stock, at cost	<u>(849,500)</u>	<u>(784,200)</u>
Less: treasury stock, at cost	<u>(10,400)</u>	<u>(10,400)</u>
Total stockholders' equity (deficit)	<u>(859,900)</u>	<u>(794,600)</u>
	<u>\$2,970,300</u>	<u>\$2,906,200</u>

MEDICAL NUTRITION USA, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>THREE MONTHS ENDED</u>	
	<u>APRIL 30,</u>	
	2004	2003
Sales	\$1,240,700	\$229,000
Cost of Sales	<u>635,600</u>	<u>121,800</u>
Gross Profit	605,100	107,200
Selling, general and administrative expenses	610,800	628,700
Web site costs	<u>200</u>	<u>-</u>
Operating (loss)	<u>(5,900)</u>	<u>(521,500)</u>
Other income (expense):		
Interest income	7,200	300
Interest (expense)	<u>(66,600)</u>	<u>(7,900)</u>
Total other income (expense)	<u>(59,400)</u>	<u>(7,600)</u>
Net (loss)	<u>\$ (65,300)</u>	<u>\$ (529,100)</u>
Basic and diluted per share data:		
Net (loss)	<u>\$ (0.02)</u>	<u>\$ (0.30)</u>
Weighted average number of shares outstanding	<u>2,783,792</u>	<u>1,765,994</u>

