



Medical Nutrition USA, Inc.
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FOR IMMEDIATE RELEASE

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Medical Nutrition USA Branded Product Sales Increase 62% for Quarter

- **Total sales increase 41%**
- **22% sequential quarterly branded product sales increase**
- **406 new nursing homes and clinics start using Pro-Stat® in the quarter**

ENGLEWOOD, NJ — September 12, 2006. Medical Nutrition USA, Inc., (MDNU.OB) today announced financial results for the quarter and six months ended July 31, 2006.

Review of Operating Results

Sales for the quarter increased approximately 41% to \$2,718,900 as compared to \$1,925,700 for the quarter ended July 31, 2005. The increase in sales resulted primarily from sales of branded products, which increased 62% to \$2,154,500 from \$1,331,500 in the comparable quarter of the prior year. Branded product sales consisted primarily of the Pro-Stat® line of hydrolyzed, liquid, modular protein. Approximately 406 additional nursing homes and clinics started using Pro-Stat® during the quarter.

Sales for the six months ended July 31, 2006 increased approximately 41% to \$4,896,000 as compared to \$3,473,100 for the six months ended July 31, 2005. The increase in sales resulted primarily from sales of branded products, which increased 61% to \$3,925,500 from \$2,442,900 in the comparable six months ended July 31, 2005 of the prior year. Branded product sales consist primarily of the Pro-Stat® line of hydrolyzed, liquid, modular protein. Approximately 744 additional nursing homes and clinics started using Pro-Stat® during the six months ended July 31, 2006.

Gross profit for the quarter increased to \$1,433,300 or 52.7% of sales as compared to \$991,900 or 51.5% of sales for the comparable quarter of the prior year. The increase in gross profit was primarily attributable to increased sales of branded products.

Gross profit for the six months ended July 31, 2006 increased to \$2,611,100 or 53.3% of sales as compared to \$1,807,400 or 52.0% of sales for the comparable six months ended July 31, 2005 of the prior year. The increase in gross profit was primarily attributable to increased sales of branded products

Selling, general and administrative expenses for the quarter increased by \$436,700 to \$1,284,000, or 47.2% of sales, from \$847,300, or 44.0% of sales for the three months ended July 31, 2005. The increase was primarily attributable to an increase in personnel costs of \$108,100 and an increase of \$173,200 in non-cash, stock-based compensation, resulting from the

Company's adoption of SFAS 123(R) on February 1, 2006. No share-based compensation cost was recorded in the comparable quarter of the prior year.

Selling, general and administrative expenses for the six months ended July 31, 2006 increased by \$830,500 to \$2,457,700, or 50.1% of sales, from \$1,627,200, or 46.8% of sales for the six months ended July 31, 2005. The increase was primarily attributable to an increase in personnel costs of \$247,800 and an increase of \$355,400 in non-cash, stock-based compensation, resulting from the Company's adoption of SFAS 123(R) on February 1, 2006. No share-based compensation cost was recorded in the comparable period of the prior year.

Operating income for the quarter, before non-cash charges for stock-based compensation, was \$322,500 as compared to \$144,600 for the three months ended July 31, 2005.

Operating income for the six months ended July 31, 2006, before non-cash charges for stock-based compensation, was \$508,800 as compared to \$180,200 for the six months ended July 31, 2005.

Interest expense for the quarter was \$1,424,300, and interest income was \$67,000 as compared to \$103,300 and \$14,300, respectively, for the comparable quarter of the prior year. The increase in interest expense of \$1,321,000 resulted primarily from an increase in non-cash amortization of debt discount associated with the Company's 2003 convertible promissory notes.

Interest expense for the six months ended July 31, 2006 was \$2,657,100, and interest income was \$99,300 as compared to \$152,800 and \$26,000, respectively, for the comparable six months ended July 31st of the prior year. The increase in interest expense of \$2,504,300 resulted primarily from an increase in non-cash amortization of debt discount associated with the Company's 2003 convertible promissory notes.

Net loss for the quarter was \$1,231,400 or (\$0.12) per share compared to net income for the comparable prior year quarter of \$55,600 or \$0.02 per share. Excluding non-cash charges for stock-based compensation and amortization of debt discount, net income for the quarter would have been \$327,300 or \$0.03 per share.

Net loss for the six months was \$2,427,800 or (\$0.30) per share compared to net income for the comparable six months ended July 31, 2005 of the prior year of \$52,000 or \$0.02 per share. Excluding non-cash charges for stock-based compensation and amortization of debt discount, net income for the six months ended July 31, 2006 would have been \$491,400 or \$0.06 per share.

All but \$250,000 aggregate principal amount of the Company's outstanding convertible promissory notes had been converted into common stock as of July 31, 2006. Future non-cash charges to interest expense for amortization of the debt discount associated with the remaining notes, which mature on December 4, 2006, are estimated to be \$80,800 for the quarter ending October 31, 2006, and \$104,700 for the quarter ending January 31, 2007. At July 31, 2006, the Company had cash and short-term investments—Treasury Bills—on hand of \$6,698,600.

"We are very pleased with the continuing growth in sales of our branded products and the addition of another 406 Pro-Stat® user facilities during the quarter. Our penetration of the nursing home market has been aided by the results of clinical trial reporting a 96% greater rate of pressure ulcer healing among nursing home residents receiving standard care plus Pro-Stat®, compared to a control group receiving standard care plus a placebo, which was published in the March issue of the peer-reviewed journal *Advances in Skin and Wound Care*. Our recent introductions of Pro-Stat® *Advanced Wound Care* formula and Fiber-Stat™, have also contributed to increased sales. We believe our focus on achieving better clinical outcomes through evidence-based research will lead to more opportunities in the future. Our entire team is performing very well," said Frank A. Newman, chairman and chief executive officer. "

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®, Fiber-Stat™ and the **pbs** Nutritional Support System™, as well as private label products.

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 including its Form 10-KSB for the period ended January 31, 2006.

MEDICAL NUTRITION USA, INC.

CONSOLIDATED BALANCE SHEETS

	<u>JULY</u> 31, 2006 (Unaudited)	<u>JANUARY</u> 31, 2006
ASSETS		
Current Assets:		
Cash	\$ 3,703,900	\$ 2,361,200
Short-term investments-Treasury Bills	2,994,700	-
Accounts receivable, net of allowance of \$39,500 and \$29,600 at July 31, 2006 and January 31, 2006, respectively	935,300	711,500
Inventory	376,600	271,700
Other current assets	112,400	72,400
Total current assets	8,122,900	3,416,800
Fixed Assets , net of accumulated depreciation of \$170,700 and \$157,400, respectively	104,100	83,000
Other assets:		
Security deposits	15,300	15,300
Investment in Organics Corporation of America	125,000	125,000
Intangible assets, net of amortization	258,600	260,100
	\$ 8,625,900	\$ 3,900,200
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 845,200	\$ 486,100
Convertible promissory notes	44,500	533,200
Accrued interest payable	-	633,200
Total current liabilities	889,700	1,652,500
Stockholders' Equity:		
Common stock, \$0.001 par value; 20,000,000 shares authorized; 13,464,832 shares issued and outstanding at July 31, 2006 and 3,015,781 shares issued at January 31, 2006, respectively	13,500	3,000
Additional paid-in-capital	22,731,100	14,835,700
Accumulated deficit	(15,008,400)	(12,580,600)
	7,736,200	2,258,100
Less: treasury stock, at cost	-	(10,400)
Total stockholders' equity	7,736,200	2,247,700
	\$ 8,625,900	\$ 3,900,200

MEDICAL NUTRITION USA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	SIX MONTHS ENDED		THREE MONTHS ENDED	
	JULY 31,		JULY 31,	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales	\$ 4,896,000	\$ 3,473,100	\$ 2,718,900	\$ 1,925,700
Cost of sales	2,284,900	1,665,700	1,285,600	933,800
Gross profit	<u>2,611,100</u>	<u>1,807,400</u>	<u>1,433,300</u>	<u>991,900</u>
Selling, general and administrative expenses	2,457,700	1,627,200	1,284,000	847,300
Operating income	<u>153,400</u>	<u>180,200</u>	<u>149,300</u>	<u>144,600</u>
Other income (expense):				
Interest income	99,300	26,000	67,000	14,300
Interest expense	(2,657,100)	(152,800)	(1,424,300)	(103,300)
Total other (expense)	<u>(2,557,800)</u>	<u>(126,800)</u>	<u>(1,357,300)</u>	<u>(89,000)</u>
(Loss) income before income taxes	(2,404,400)	53,400	(1,208,000)	55,600
Income tax expense	(23,400)	(1,400)	(23,400)	-
Net (loss) income	<u>\$ (2,427,800)</u>	<u>\$ 52,000</u>	<u>\$ (1,231,400)</u>	<u>\$ 55,600</u>
Basic and diluted per share data:				
Net (loss) income	<u>\$ (0.30)</u>	<u>\$ 0.02</u>	<u>\$ (0.12)</u>	<u>\$ 0.02</u>
Weighted average number of shares outstanding	<u>8,034,692</u>	<u>2,904,965</u>	<u>10,514,798</u>	<u>2,904,965</u>