



**Medical Nutrition USA, Inc.**  
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FOR IMMEDIATE RELEASE

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**Medical Nutrition USA Reports First Quarter Fiscal Year 2007 Results**

***Quarterly Highlights***

- ***Branded product sales increase 59% driven by strong Pro-Stat® growth***
- ***338 new nursing homes and clinics start using Pro-Stat® in the quarter***
- ***Clinical trial reports 96% better Pressure Ulcer healing with Pro-Stat®***
- ***Cash flow from operations increases to \$193,300 from \$65,300***

ENGLEWOOD, NJ — June 13, 2006. Medical Nutrition USA, Inc., (MDNU.OB) today announced financial results for the three months ended April 30, 2006, the first quarter of its fiscal year 2007.

*Review of Operating Results*

Sales for the quarter increased approximately 41% to \$2,177,100 as compared to \$1,547,500 for the quarter ended April 30, 2005. The increase in sales resulted primarily from sales of branded products, which increased 59% to \$1,771,000 from \$1,112,500 in the comparable quarter of the prior year. Branded product sales consist primarily of the Pro-Stat® line of hydrolyzed, liquid, modular protein. Approximately 338 additional nursing homes and clinics started using Pro-Stat® during the quarter.

Gross profit for the quarter increased to \$1,177,800 or 54% of sales as compared to \$815,500 or 53% of sales for the comparable quarter of the prior year. The increase in gross profit was primarily attributable to increased sales of branded products.

Selling, general and administrative expenses (SG&A) for the three months ended April 30, 2006 increased by \$372,000 to \$1,151,900, or 53% of sales, from \$779,900, or 50% of sales for the three months ended April 30, 2005. The increase was primarily attributable to an increase in personnel costs of \$335,200, and an increase in sales and marketing expenses of \$49,200. Personnel costs for the quarter include \$182,200 for non-cash, stock-based compensation, as a result of 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.

Operating income for the three months ended April 30, 2006 was \$25,900 as compared to \$35,600 for the three months ended April 30, 2005. As a result of adopting SFAS 123(R), operating income for the current quarter was \$182,200 lower than if the Company had continued to account for share-based compensation under APB 25.

Interest expense for the quarter was \$1,232,800, and interest income was \$32,300 as compared to \$49,500 and \$11,700, respectively, for the comparable quarter of the prior year. The increase in interest expense of \$1,183,300 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 \$1,196,400 or (\$0.22) per share compared to a net loss for the comparable prior year quarter of \$3,600 or (\$0.00) per share. Without non-cash charges for stock-based compensation and amortization of debt discount, net income for the quarter would have been \$164,100 or \$0.03 per share, compared to \$9,600 or \$0.00 per share for the comparable quarter of the prior year.

"We are very pleased with the continuing growth in sales of our branded products and the addition of another 338 Pro-Stat® user facilities during the quarter. We expect our penetration of the nursing home market to be significantly aided by the March publication of a clinical trial on Pro-Stat® in the journal *Advances in Skin and Wound Care*. The trial reported 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. In addition, our recent introductions of Pro-Stat® *Advanced Wound Care* formula and Fiber-Stat™ *laxation liquid with FOS*, together with the opportunity created by the exit from the market of a significant competitive product, should contribute to future sales growth. Our entire team continues to do an excellent job," said Frank A. Newman, chairman and chief executive officer.

#### *Guidance*

The Company affirmed its previously issued guidance for the fiscal year ending January 31, 2007 of sales of \$12,000,000 to \$13,000,000 and operating income of \$1,500,000 - \$2,000,000 or \$0.14 - \$0.19 per share, before non-cash charges for stock-based compensation. After including non-cash charges for stock-based compensation of approximately \$667,600 or (\$0.07) per share, and amortization of debt discount associated with our 2003 convertible promissory notes of approximately \$2,830,000 or (\$0.28) per share, the Company expects to report a net loss of \$1,500,000 - \$2,000,000 or (\$0.15) to (\$0.20) per share based on average shares outstanding for the year of approximately 10,300,000. The remaining non-cash charges to interest expense for amortization of the debt discount associated with the 2003 convertible notes are expected to be: quarter ending July 31, 2006: \$1,385,476; quarter ending October 31, 2006: \$80,800; quarter ending January 31, 2007: \$124,700. The Company expects that all but \$250,000 of its outstanding notes will be converted or redeemed by July 31, 2006, with the balance converted or redeemed by December 31, 2006, at which time it expects to have no debt outstanding. At April 30, 2006, the Company had cash on hand of \$6,330,900.

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 ending January 31, 2006.

**MEDICAL NUTRITION USA, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	THREE MONTHS ENDED	
	APRIL 30,	
	2006	2005
	(Unaudited)	(Unaudited)
Sales	\$ 2,177,100	\$ 1,547,500
Cost of sales	999,300	732,000
Gross profit	1,177,800	815,500
Selling, general and administrative expenses	1,151,900	779,900
Operating income	25,900	35,600
Other income (expense):		
Interest income	32,300	11,700
Interest expense	(1,232,800)	(49,500)
Total other (expense)	(1,200,500)	(37,800)
(Loss) before income taxes	(1,174,600)	(2,200)
Income tax expense	(21,800)	(1,400)
Net (loss)	\$ (1,196,400)	\$ (3,600)
Basic and diluted per share data:		
Net (loss)	\$ (0.22)	\$ (0.00)
Weighted average number of shares outstanding	5,470,987	2,904,695

**MEDICAL NUTRITION USA, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	THREE MONTHS ENDED	
	APRIL 30,	
	2006	2005
	(Unaudited)	(Unaudited)
<b>Operating Activities:</b>		
Net (loss)	\$ (1,196,400)	\$ (3,600)
Adjustments to reconcile net(loss) to net cash provided by operating activities:		
Depreciation and amortization expense	6,700	6,100
Provision for losses on accounts receivable	6,800	6,500
Interest expense from debt discount amortization	1,232,800	13,200
Stock based compensation	182,200	-
Stock award	500	-
Changes in operating assets and liabilities		
Accounts receivable	(169,700)	(135,900)
Inventory	(200)	(8,000)
Other current assets	(61,900)	39,100
Accounts payable and accrued expenses	192,500	147,900
Net cash provided by operating activities	193,300	65,300
<b>Investing Activities:</b>		
Acquisition of fixed assets	(8,000)	(6,900)
Trademark costs	(100)	-
Capitalized patent and other deferred costs	(3,400)	(41,100)
Net cash (used in) investing activities	(11,500)	(48,000)
<b>Financing Activities:</b>		
Proceeds from exercise of warrants, net of expenses of \$68,600	3,787,900	-
Proceeds from exercise of options	-	9,000
Net cash provided by financing activities	3,787,900	9,000
Net increase in cash	3,969,700	26,300
Cash - beginning of period	2,361,200	2,002,700
Cash - end of period	\$ 6,330,900	\$ 2,029,000
<b>Supplemental information:</b>		
Taxes paid during the period	\$ 21,800	\$ 1,434
Conversion of debt to equity		
Face amount of \$1,042,500 with accrued interest of \$244,100 during the quarter ended April 30, 2006		

**MEDICAL NUTRITION USA, INC.**

**CONSOLIDATED BALANCE SHEETS**

	<u>APRIL</u> 30, 2006 (Unaudited)	<u>JANUARY</u> 31, 2006
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 6,330,900	\$ 2,361,200
Accounts receivable, net of allowance of \$36,400 and \$29,600 at April 30, 2006 and January 31, 2006, respectively	874,400	711,500
Inventory	271,900	271,700
Other current assets	<u>134,300</u>	<u>72,400</u>
<b>Total current assets</b>	<u>7,611,500</u>	<u>3,416,800</u>
<b>Fixed Assets</b> , net of accumulated depreciation of \$163,300 and \$157,400, respectively	85,100	83,000
<b>Other assets:</b>		
Security deposits	15,300	15,300
Investment in Organics Corporation of America	125,000	125,000
Intangible assets, net of amortization	<u>262,700</u>	<u>260,100</u>
	<u>\$ 8,099,600</u>	<u>\$ 3,900,200</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 678,600	\$ 486,100
Convertible promissory notes	669,000	533,200
Accrued interest payable	<u>443,500</u>	<u>633,200</u>
<b>Total current liabilities</b>	<u>1,791,100</u>	<u>1,652,500</u>
<b>Stockholders' Equity:</b>		
Common stock, \$0.001 par value; 20,000,000 shares authorized; 10,116,769 and 3,015,781 issued at April 30, 2006 and January 31, 2006, respectively	10,100	3,000
Additional paid-in-capital	20,085,800	14,835,700
Accumulated deficit	<u>(13,777,000)</u>	<u>(12,580,600)</u>
	6,318,900	2,258,100
Less: treasury stock, at cost	<u>(10,400)</u>	<u>(10,400)</u>
<b>Total stockholders' equity</b>	<u>6,308,500</u>	<u>2,247,700</u>
	<u>\$ 8,099,600</u>	<u>\$ 3,900,200</u>