



Medical Nutrition USA, Inc.
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FOR IMMEDIATE RELEASE

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Medical Nutrition USA Announces 78% Sales Increase and Net Income of \$0.03 per share for 3rd Quarter

- **Total sales increase 78%**
- **Branded product sales increase 87%**
- **452 additional nursing homes and clinics start using Pro-Stat™**
- **Net income increases to \$0.03 per share compared to a loss of (\$0.04) per share**

ENGLEWOOD, NJ — December 13, 2005. Medical Nutrition USA, Inc., (MDNU.OB) today announced financial results for the quarter ended Oct 31, 2005.

Review of Operating Results

Total sales for the third quarter increased 78% to \$1,937,300 from \$1,091,100 for the third quarter of the prior year. The increase in sales resulted primarily from increased sales of branded products, including the company's line of Pro-Stat® hydrolyzed, liquid, modular proteins. Total branded product sales increased 87% to \$1,473,000 from \$787,600 in the third quarter of the prior year. Approximately 452 additional nursing homes and clinics started using Pro-Stat® during the quarter.

Gross profit for the third quarter increased 69% to \$991,000 or 51% of sales, from \$584,700 or 54% of sales in the third quarter of the prior year. The increase in gross profit for the quarter was primarily attributable to increased sales of branded products. The decrease in gross margin percentage was primarily attributable to a lower gross margin rate on private label sales than in the comparable quarter of the prior year.

Operating cash flow increased to \$76,800 for the third quarter as compared to cash flow of \$11,900 for the third quarter of the prior year.

Net income for the third quarter increased to \$92,000 or \$0.03 per share, compared to a loss of \$101,300 or (\$0.04) per share for the third quarter of the prior year.

"We are very pleased with the continuing growth in sales of our branded products and the addition of approximately 452 user facilities. We also introduced two exciting new products during the quarter: Fiber-Stat™ laxation liquid with FOS, and Pro-Stat® Advanced Wound Care formula, both of which we expect will contribute nicely to our future sales. The entire team continues to execute very well," said Frank A. Newman, chairman and chief executive officer.

Federal Supply Schedule Contract

The Company also announced that it has been awarded a Federal Supply Schedule Contract through the US Department of Veterans Affairs for the sale of Pro-Stat® and Fiber Stat™ to

Veterans Administration hospitals and nursing homes, and Federal prisons. The five-year contract authorizes the covered facilities to purchase up to \$3,013,680 of the Company's products, but does not require them to do so. The actual purchases will depend on the Company's ability to market its products to the individual facilities and the rate at which those facilities use the products. "We are excited about the addition of our product lines to the Federal Supply Schedule, which we view as both an affirmation and a significant sales opportunity" Newman said.

Guidance

The Company raised its previously issued guidance of net income from \$0.02-\$0.03 per share to \$0.04-\$0.05 per share on a fully diluted basis for its fiscal year ending January 31, 2006, and updated its revenue guidance to a range of \$7,000,00 to \$8,000,000., The Company now estimates income of \$0.14-\$0.18 per share on a fully diluted basis for its fiscal year ending January 31, 2007, on revenue of \$12,000,000 to \$13,000,000. The estimates for both years assume 12,092,957 fully diluted shares on a weighted average basis.

Accounting for Convertible Notes and Warrants

The Company has received an inquiry from the Securities and Exchange Commission (SEC) regarding the Company's accounting for the value of the convertible notes and associated warrants the Company issued in 2002 and 2003. The inquiry arose in connection with the SEC's limited review of the Company's Form 10-KSB for the fiscal year ended January 31, 2005. Depending on the outcome of its discussions with the SEC, the Company may make a non-cash adjustment to its balance sheet to assign value to the warrants and/or the conversion feature of the notes in an amount it estimates to be not greater than \$3,827,500. The value attributed to the warrants would then be amortized over the three-year life of the warrants, which expire on July 31, 2006. The value attributed to the conversion feature would be charged to expense in the year the notes were issued. In that event, the Company would restate its financial results for the fiscal year ended January 31, 2005 and for subsequent interim periods, and amend its related Form 10-KSB and Forms 10-QSB to reflect the restatement. The restatement would have the effect of increasing paid-in capital by the amount of the aggregate value assigned to the warrants and the conversion feature of the convertible notes, and decreasing net income by the amount of the amortization and expense.

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™, 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 including its Form 10-QSB for the period ending October 31, 2005.

MEDICAL NUTRITION USA, INC.

CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	NINE MONTHS ENDED		THREE MONTHS ENDED	
	OCTOBER 31,		OCTOBER 31,	
	2005	2004	2005	2004
Sales	\$ 5,410,400	\$ 3,448,600	\$ 1,937,300	\$ 1,091,100
Cost of Sales	2,612,000	1,706,800	946,300	506,400
Gross Profit	<u>2,798,400</u>	<u>1,741,800</u>	<u>991,000</u>	<u>584,700</u>
Selling, general and administrative expenses	2,481,900	1,755,200	853,300	627,900
Operating Income (loss)	<u>316,500</u>	<u>(13,400)</u>	<u>137,700</u>	<u>(43,200)</u>
Other income (expense):				
Interest income	41,800	24,200	15,900	9,100
Interest expense	(161,600)	(201,600)	(61,600)	(67,200)
Total other income (expense)	<u>(119,800)</u>	<u>(177,400)</u>	<u>(45,700)</u>	<u>(58,100)</u>
Net Income (loss)	<u>\$ 196,700</u>	<u>\$ (190,800)</u>	<u>\$ 92,000</u>	<u>\$ (101,300)</u>
Income (loss) per common share:				
Basic	<u>\$ 0.07</u>	<u>\$ (0.07)</u>	<u>\$ 0.03</u>	<u>\$ (0.04)</u>
Diluted	<u>\$ 0.03</u>	<u>\$ (0.07)</u>	<u>\$ 0.01</u>	<u>\$ (0.04)</u>
Weighted average number of shares outstanding				
Basic	<u>2,914,224</u>	<u>2,800,926</u>	<u>2,932,701</u>	<u>2,834,887</u>
Diluted	<u>12,087,197</u>	<u>2,800,926</u>	<u>12,215,957</u>	<u>2,834,887</u>

MEDICAL NUTRITION USA, INC.

BALANCE SHEETS

	OCTOBER 31, 2005 (UNAUDITED)	JANUARY 31, 2005 (AUDITED)
ASSETS		
Current Assets:		
Cash	\$ 2,187,700	\$ 2,002,700
Accounts receivable, net of allowance of \$28,900 and \$9,600 at October 31, 2005 and January 31, 2005, respectively	796,500	498,900
Inventories	165,200	71,300
Other current assets	88,200	65,800
Total current assets	3,237,600	2,638,700
Fixed assets, net of accumulated depreciation of \$151,000 and \$133,400, respectively	89,600	71,900
Other assets:		
Security Deposits	15,300	15,300
Investment in Organics Corporation of America	125,000	125,000
Intangible assets, net of amortization	251,700	205,700
	\$ 3,719,200	\$ 3,056,600
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 522,800	\$ 307,200
Convertible promissory notes	3,052,500	-
Accrued interest payable	571,600	-
Total current liabilities	4,146,900	307,200
Non-current Liabilities:		
Convertible promissory notes	250,000	3,302,500
Accrued interest payable	-	410,000
Total Liabilities	4,396,900	4,019,700
Shareholders' Equity:		
Common stock, \$0.001 par value; 20,000,000 shares authorized; 3,011,285 and 2,892,965 issued and outstanding at October 31, 2005 and January 31, 2005, respectively	3,000	2,900
Additional paid-in capital	11,004,800	10,916,200
Accumulated deficit	(11,675,100)	(11,871,800)
	(667,300)	(952,700)
Less: treasury stock, at cost	(10,400)	(10,400)
Total stockholders' equity (deficit)	(677,700)	(963,100)
	\$ 3,719,200	\$ 3,056,600

