

Condensed Consolidated report of

MILESTONE MEDICAL INC. and its SUBSIDIARY

1st quarter (from January 1, 2019 to March 31, 2019)

Report include:

1. General information about Milestone Medical Inc (“Issuer”) and Milestone Medical Poland Sp. z.o.o. (the Subsidiary).
2. Condensed Consolidated Financial Statements prepared according to the accounting rules applicable to the Issuer together with information on accounting rules (policy) applied to the preparation of report.
3. Information on the rules applied to the preparation of the report, including information on changes to the applied accounting rules (policies).
4. Brief description of the most important achievements or failures of the Issuer and its Subsidiary during the period of the report as well as a description of the most important factors and events, atypical ones, which affect the achieved results.
5. A description of the status of implementation of activities and investments of the Issuer and its Subsidiary and the timetable of their implementation.
6. If the Issuer and its Subsidiary took initiatives to develop, its activities aimed to implement innovative solutions at the enterprise during the period of the report – information on such activities.
7. Description of the organization of the group indicating consolidated entities.

New Jersey, May 15, 2019

1. General information

Table 1 General Information about the Issuer

THE ISSUER	MILESTONE MEDICAL INC. (earlier: Milestone Scientific Research and Development, Inc.)
Registered office/Office:	220 South Orange Avenue, Livingston, NJ 07039, USA
Telephone number:	011-973-535-2717
Facsimile number:	011-973-535-2829
E-mail:	jdagostino@milestonescientific.com
Main website address:	www.medicalmilestone.com

Source: The Issuer

1.1. Shareholding structure

In the table below shares issued are outstanding for computing the ownership percentage of shareholders holding at least 5% of votes at the General Meeting of Shareholders, applicable percentages are based on 22,000,000 shares outstanding on the date of this annual report preparation. All percentages are rounded.

Table 2 Shareholder structure with specification of shareholders holding at least 5% of votes at the General Meeting of Shareholders at the date of the report.

Name of Shareholder	Number of owned shares/votes	Shareholding/votes at General Meeting of Shareholders [%]
MILESTONE SCIENTIFIC, INC.	21,633,084	98.33%
OTHERS (<5%)	366,916	1.67%
TOTAL	22,000,000	100.00%

Source: The Issuer

The company reported on ESPI report 6/2016 published on June 17, 2016 that Milestone Scientific initiated a share exchanged program pursuant to which would exchange one share of common stock for every two outstanding shares of Milestone Medical common stock. Through the report date, Milestone Scientific Inc. acquired 10,689,078 (48.35%) shares of the Issuer's outstanding share from various shareholders. The company reported on ESPI report 8/2017 published on August 8, 2017 that Milestone Scientific increased its shareholding in the Company and reached 98.33% of total number of votes at the Company's Shareholders' Meeting. An additional 55,994 shares (0.25%) are in the process of exchange as of the date of this report. After the exchange, Milestone Scientific will own approximately 98.59% of the shares in Milestone Medical.

1.2. Board of Directors

Table 3 Board of Directors

NAME OF DIRECTOR	CURRENT AGE	DIRECTOR SINCE	END OF TERM
Zhu Yun	53	Sep-13	Next Annual Meeting of Shareholders
Martin S. Siegel	74	Sep-14	Next Annual Meeting of Shareholders

** On May 30, 2018 the Annual General Meeting of Shareholders adopted the resolution on the appointment of two Directors to the Board of Directors for new term of office.*

On July 10, 2017 Leonard Osser resigned as a member of the Board of Directors of the Issuer. In December 2017, Leonard Osser rejoined the Management of Milestone Medical Inc. as Interim Chief Executive Officer. The intention of the Company was not to nominate Mr. Osser to the Board of Directors in 2018.

Source: The Issuer

1.3. Information on the number of persons employed by the Issuer converted into FTEs

On March 31, 2019 the Issuer employed three (3) full time employees and three (3) persons converted into full-time equivalents (“FTEs”). There is an open position for an additional one (1) full time employee: A Medical Device Trainer. The Company has contracted with one Business Development Consultant for business activities in Europe and the Middle East in 2018. Milestone Medical has three fulltime employees as of March 31, 2019; an Executive VP of Global Marketing and Sales, a Vice President of USA Sales, and a Director of Marketing. These three employees will promote direct market support for Milestone Medical and assist on moving the medical business forward on an accelerated track.

2. Consolidated quarterly financial statements prepared according to the accounting rules applicable to the Issuer and its Subsidiary together with information on accounting rules (policy) applied to the preparation of report

Milestone Medical Inc. and Subsidiary

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of and for three months ended March 31, 2019 and 2018 (unaudited)
For the Year Ended December 31, 2018 (audited)

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Milestone Medical Inc. And Subsidiary
Condensed Consolidated Balance Sheets

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
<u>ASSETS</u>		
Cash and cash equivalents	\$ 7,618	\$ 1,037
Accounts receivable	400	-
Inventories, net	232,427	234,427
Advances on contracts	43,499	44,148
Prepaid expenses and other current assets	67,614	31,963
Total current assets	351,558	311,575
Equipment, net	14,035	16,633
Intangible asset, net	975,000	1,050,000
Total assets	\$ 1,340,593	\$ 1,378,208
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Accounts payable	\$ 75,791	\$ 113,380
Accrued expenses and other payables	645,527	660,500
Advances from Milestone Scientific Inc.	8,829,518	8,224,747
Due to Milestone Scientific, Inc.	2,800,000	2,800,000
Total current liabilities	12,350,836	11,798,627
Commitments and contingencies		
Stockholders' Deficit:		
Common stock, par value \$.0001; authorized 50,000,000 shares; 22,000,000 shares issued and outstanding at March 31, 2019 and December 31, 2018	2,200	2,200
Additional paid-in capital	6,931,861	6,931,861
Accumulated deficit	(17,944,304)	(17,354,480)
Total stockholders' deficit	(11,010,243)	(10,420,419)
Total liabilities and stockholders' deficit	\$ 1,340,593	\$ 1,378,208

See Notes to Condensed Consolidated Financial Statements

Milestone Medical Inc. And Subsidiary
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended March 31, 2019	Three months ended March 31, 2018
Product sales, net	\$ 400	\$ 36,500
Cost of products sold	27	11,597
Gross profit	373	24,903
Selling, general and administrative expenses	483,809	661,177
Depreciation and amortization	77,597	91,877
Research and development expenses	5,650	55,233
Total operating expenses	567,056	808,287
Loss from operations	(566,683)	(783,384)
Interest expense	(23,141)	(22,761)
Loss before income tax	(589,824)	(806,145)
Income tax expense	-	(1,000)
Net loss	\$ (589,824)	\$ (807,145)

See Notes to Condensed Consolidated Financial Statements

Milestone Medical Inc. And Subsidiary
Condensed Consolidated Statements of Changes in Stockholders' Deficit
(Unaudited)

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, January 1, 2019	22,000	\$ 2,200	\$ 6,931,861	\$ (17,354,480)	\$ (10,420,419)
Net loss	-	-	-	(589,824)	(589,824)
Balance, March 31, 2019	<u>22,000</u>	<u>\$ 2,200</u>	<u>\$ 6,931,861</u>	<u>\$ (17,944,304)</u>	<u>\$ (11,010,243)</u>

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, January 1, 2018	22,000	\$ 2,200	\$ 6,931,861	\$ (14,353,851)	\$ (7,419,790)
Net loss	-	-	-	(807,145)	(807,145)
Balance, March 31, 2018	<u>22,000</u>	<u>\$ 2,200</u>	<u>\$ 6,931,861</u>	<u>\$ (15,160,996)</u>	<u>\$ (8,226,935)</u>

See Notes to Condensed Consolidated Financial Statements



Milestone Medical Inc. And Subsidiary
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended March 31, 2019	Three months ended March 31, 2018
Cash flows from operating activities:		
Net loss	\$ (589,824)	\$ (807,145)
Adjustments to reconcile net cash used in operating activities:		
Depreciation and amortization expense	77,597	91,877
Changes in operating assets and liabilities:		
Increase in accounts receivable	(400)	(30,507)
Decrease in inventories	2,649	21,589
Increase in prepaid expenses and other current assets	(35,651)	(1,238)
(Decrease) increase in accounts payable and accrued expenses	(52,562)	297,265
Net cash used in operating activities	(598,191)	(428,159)
Cash flows from financing activities:		
Related party advances	604,772	447,136
Net cash provided by investing activities	604,772	447,136
Net increase in cash and cash equivalents	6,581	18,977
Cash and cash equivalents at beginning of period	1,037	19,272
Cash and cash equivalents at end of period	\$ 7,618	\$ 38,249

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of and for three months ended March 31, 2019 and 2018 (unaudited)

and for the year ended December 31, 2018 (audited)

NOTE 1 – ORGANIZATION AND BUSINESS:

In March 2011, Milestone Medical Inc. (the “Company”) was organized pursuant to a joint venture agreement (the “Joint Venture Agreement”) between Milestone Scientific, Inc., a Delaware corporation, and Beijing 3H Scientific Technology Co., Ltd. (“Beijing 3H”), a People’s Republic of China (“PRC”) Company. At inception, Milestone Scientific, Inc. contributed an exclusive worldwide royalty-free license for the development and commercialization of intra-articular and epidural drug delivery instruments, utilizing its patented CompuFlo technology. Additionally, Beijing 3H, and a group of other investors contributed \$1.5 million to the Company.

In September 2014, the Company established a special purpose Polish company called Milestone Medical Poland Sp. z.o.o. The purpose of which is for the application and acceptance of Polish Government Grants for research and development of current and future improvement to the epidural and intra-articular instruments. Milestone Medical Poland Sp. z.o.o., is seventy – five percent owned by the Company. Through the date of this report, Milestone Medical Poland Sp. z.o.o. has not received any grants from the Polish Government. Milestone Medical Poland Sp. z.o.o. is inactive currently.

On June 12, 2017 the company announced that the CompuFlo® Epidural Computer Controlled Anesthesia System has received 510(k) clearances from the U.S. Food and Drug Administration (FDA). The CompuFlo® Epidural System provides anesthesiologists and other Health Care Providers for the first time, the ability to quantitatively determine and document the pressure at the needle tip in real-time. The CompuFlo® Epidural's proprietary DPS Dynamic Pressure Sensing Technology™ (DPS) allows the CompuFlo® Epidural to provide objective visual and audible in-tissue pressure feedback that allows anesthesiologists to identify the epidural space.

The Company received notification from the FDA in December 2016 that based upon the 510(k)-application submitted for the Company's Compu-Flo Intra Articular Computer Controlled Injection System, the Company did not adequately document that the device met the equivalency standard required for 510(k) clearances. The Company provided an additional data submission to the FDA in April 2017, in support of a resubmission 510(k) application for the device. The 510K original application filed with FDA lapsed in January 2019. The Company intends to resubmit an application for a 510k to the FDA in 2019.

The Company is in the process of attending Medical device trade shows and attending introductory meetings with medical device distributors within the United States and European markets. The Company’s focus will be on marketing the Epidural instruments in the United States and throughout the world.

In January 2019, the Company filed on the ESPI 1/2019 a report that announced New Clinical Trial Findings for the CompuFlo® Epidural Instrument. The pivotal study confers that the CompuFlo® Epidural instrument is a highly effective alternative to standards of care. The instrument avoids patient radiation exposure when compared to fluoroscopy and demonstrated greater accuracy when compared to loss of resistance.

NOTE 2 - LIQUIDITY AND GOING CONCERN:

The Company has evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year

NOTE 2 - LIQUIDITY AND GOING CONCERN: (Continued):

after the date that the Condensed Consolidated Financial Statements are issued. Milestone Medical Inc. has incurred significant operating losses since its inception. At March 31, 2019 Milestone Medical Inc. had cash of \$7,618 and a negative working capital of approximately \$12 million compared to negative working capital of approximately \$11.5 million at December 31, 2018. As of March 31, 2019, Milestone Medical Inc. does not have sufficient cash to meet all its anticipated obligations for the next twelve months from the financial statement release date. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Milestone Medical Inc. will continue to manage its cash position while taking strategic steps to commercialize the Epidural instrument in the USA, throughout the world and obtain regulatory approval of Intra-Articular instrument.

Additional financing is necessary to fund the commercialization of the Epidural instrument and continue the Intra-Articular regulatory process. To this end, the Company and Milestone Scientific, Inc. are in the process of pursuing additional financings. However, the Company and Milestone Scientific, Inc. can provide no assurance that additional financings will be consummated on acceptable terms, or at all. If the Company and Milestone Scientific, Inc. are unsuccessful in obtaining additional financing on a timely basis there would most likely be a material adverse effect on the Company.

The financial statements do not include any adjustments relating to the recoverability and classification of assets carrying amounts or the amounts and classification of liabilities that might result should the Company be unable to continue as a going concern.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information with the instructions for Form 10Q of Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete annual financial statements. In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting of normal recurring entries) necessary to fairly present such interim results. Interim results are not necessarily indicative of the results of operations which may be expected for a full year or any subsequent period. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2018, included in Milestone Medical's Annual Report (published on March 21, 2019).

Basis of Consolidation

The Company owns seventy-five percent of a special purpose company organized in Poland, Milestone Medical Poland Sp. z.o.o., which is not active at this time.

Cash and Cash Equivalents

The Company considers all liquid investments purchased with an original maturity of three months or less to be cash equivalents.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Inventory

Inventories principally consist of finished goods and component parts stated at the lower of cost (first-in, first-out method) or net realizable value. Inventory quantities on hand are reviewed on a quarterly basis and a provision for excess slow moving and obsolete inventory is recorded if required based on past and expected future sales, potential technological obsolescence and product expiration requirements.

Use of Estimates

The preparation of financial statements in conformity with GAAP which requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to the allowance for doubtful accounts, inventory valuation, and cash flow assumptions regarding evaluations for impairment of long-lived assets, going concern considerations, and valuation allowances on deferred tax assets. Actual results could differ from those estimates.

Advances to Contractors

The advances to contractors represent funding to a subcontractor, for parts required for both epidural and intra articular instruments for the manufacturing of new instruments and repair parts.

Furniture, Fixture and Equipment

Furniture, fixtures and equipment is recorded at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, which range from two to seven years. The depreciation expense for the three months ended March 31, 2019 and 2018 was approximately \$2,600 and \$17,000, respectively. The costs of maintenance and repairs are charged to operations as incurred.

Revenue Recognition

The Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To perform revenue recognition for arrangements, the Company performs the following five steps:

- i. identification of the promised goods or services in the contract;
- ii. determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract;
- iii. measurement of the transaction price, including the constraint on variable consideration;
- iv. allocation of the transaction price to the performance obligations based on estimated selling prices; and
- v. recognition of revenue when (or as) the Company satisfies each performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Company derives its revenues from the sale of its products, primarily medical instruments, handpieces, and other related products. The Company expects to sell its products through a global distribution network that includes non-exclusive distribution agreements with third parties.

Revenue from product sales are recognized upon transfer of control of a product to a customer, generally upon date of shipment. For certain arrangements where the shipping terms are FOB destination, revenue is recognized upon delivery. The Company has no obligation on product sales for any installation, set-up or maintenance, these being the responsibility of the buyer. Milestone Medical's only obligation after sale is the normal commercial warranty against manufacturing defects if the alleged defective unit is returned within the warranty period.

We generally do not accept non-defective returns from our customers. Product returns under warranty are accepted, evaluated and repaired or replaced in accordance with the Company's warranty policy. Returns not within the warranty policy are evaluated and the customer is charged for repair.

Financing and Payment

Our payment terms differ by geography and customer, but payment is generally required within 90 days from the date of shipment or delivery.

Costs to Obtain or Fulfill a Customer Contract

Sales commissions are expensed when incurred because the amortization period would have been one year or less. These costs are recorded in selling, general and administrative expense in the Condensed Consolidated Statements of Operations.

Shipping and handling costs, if any, are paid by or billed to customers at the time of shipment. Domestic and international shipments are FOB warehouse; therefore, no costs are incurred by Milestone Medical. The Company accounts for any shipping and handling activities related to contracts with customers as fulfillment costs which are included in cost of products sold in the Condensed Consolidated Statements of Operations.

Intangible Asset

The Company began amortizing the intangible asset contributed when the first medical device supported by the intangible obtained final FDA approval, which occurred in June 2017 when the Epidural instrument received 510k clearance from the FDA. The asset's estimated useful life is 5 years. Intangibles are amortized utilizing the straight-line method which resulted in amortization expense for the three months ended March 31, 2019 and 2018 of \$75,000.

Long-lived tangible assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company's impairment review process is based upon an estimate of future undiscounted cash flow. Factors the Company considers that could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results,
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business,

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- significant negative industry or economic trends,
- significant technological changes, which would render the technology obsolete.

Recoverability of assets that will continue to be used in the Company's operations is measured by comparing the carrying value to the future net undiscounted cash flows expected to be generated by the asset or asset group. Future undiscounted cash flows include estimates of future revenues, driven by market growth rates, and estimated future costs. During the year, the Company assessed the intangible for impairment because the marketing and sales efforts relating to the Epidural instrument have not met the original expectations following the 2017 approval. The Company's impairment assessment is based on several factors including projected cash flows from the Epidural instruments. Based on this analysis, no impairment was deemed necessary as of March 31, 2019.

Research and Development

Research and development costs, which consist principally of new product development costs payable to third parties, are expensed as incurred. Advance payments for the research are amortized to expense either as services are performed or over the relevant service period using the straight-line method.

Income Taxes

Milestone Medical accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed for temporary differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

At March 31, 2019 and 2018, no significant income tax uncertainties have been included in the Company's financial statements. The Company's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the statement of operations. Tax returns for 2015, 2016, and 2017 years are subject to audit by federal and state jurisdictions.

Recently Adopted Accounting Pronouncements

On January 1, 2019 the Company adopted Accounting Standards Update ("ASU ") No.2016-02, "Leases"(Topic 842). The new standard is intended to increase transparency and comparability among organizations to recognize lease assets and liabilities on the balance sheet and disclose key information about leasing arrangements. Milestone Medical determined that the adoption of this ASU did not have an material effect on its financial position, results of operations and cash flows.

NOTE 4 - INVENTORY:

Inventory as of March 31, 2019 and December 31, 2018 consisted of the following:

	March 31, 2019	December 31, 2018
Inventories consist of the following:		
Epidural instruments	\$ 188,133	\$ 188,133
Intra-articular instruments, net reserve	-	-
Component parts and other materials	44,295	46,294
Total	\$ 232,427	\$ 234,427

NOTE 4 - INVENTORY (Continued):

The reserve against Intra-articular instrument was approximately \$454,000 as of March 31, 2019 and December 31, 2018.

NOTE 5 - JOINT VENTURE AGREEMENT:

Pursuant to the Joint Venture Agreement, Milestone Scientific, Inc. contributed an exclusive worldwide royalty-free license for the development and commercialization of intra-articular and epidural drug delivery instruments, utilizing its patented CompuFlo technology and a group of individual investors contributed \$1.5 million to the Company. At inception, the Company reviewed the transaction to assess the technological feasibility of the product being develop. Based on the following factors, the Company believed the technology was feasible from inception.

Milestone Scientific, Inc. is authorized by the Joint Venture Agreement to manage and oversee the development of the two medical instruments for the Company. In connection with this, Milestone Scientific, Inc. entered into an agreement with a vendor to develop the two instruments. Milestone Scientific, Inc. personnel monitored the development of the instruments with the third-party vendors on a periodic basis thus ensuring that the instruments will be developed according to medical standards.

Milestone Scientific, Inc. has distribution responsibility in the U.S. and Canada, while Milestone China Ltd, (a Hong Kong Medical Company related to Milestone Scientific, Inc.) at that time is to distribute products exclusively in the PRC and other regions in Asia. The Company has distribution responsibilities for the rest of the world.

NOTE 6 - RELATED PARTY TRANSACTIONS:

On December 31, 2014, Milestone Scientific Inc. executed a \$2 million line of credit agreement to provide bridge financing to the Company through April 15, 2016. Borrowings under the line bear interest at a rate of 3.25%, the prime rate at the inception of the agreement. In September 2015, the company requested and received approval from the Board of Directors of Milestone Scientific Inc. to increase the limit of the line of credit to a maximum of \$2.5 million. In January 2016, the credit agreement increased to \$3 million. As of March 31, 2019 and December 31, 2018, Milestone Scientific, Inc. has advanced \$2.8 million to Milestone Medical under this line of credit which is classified as Due to Milestone Scientific Inc. on the accompanying Condensed Consolidated Balance Sheets. All other terms in the line of credit agreement remain unchanged. However, Milestone Scientific Inc. has not demanded payment of the line of credit. Milestone Scientific Inc. is not legally obligated to provide any other funding to Milestone Medical Inc.

The technology underlying the CompuFlo®, and an improvement to the controls for CompuDent® were developed by the Director of Clinical Affairs and assigned to Milestone Scientific. Milestone Medical purchased this technology pursuant to an agreement dated January 1, 2005. The Director of Clinical Affairs will receive additional payments of 5% of the total sales of products using certain other of the technologies until the expiration of the last patent carried by Milestone Scientific Inc.

As of March 31, 2019 and December 31, 2018, the Company owes approximately \$8.8 million and \$8.2 million, respectively, to Milestone Scientific, Inc. for expenses paid on the Company's behalf. These advances are non-interest bearing and due on demand.

The Company reported on ESPI report 6/2016 published on June 17, 2016 that Milestone Scientific initiated a share exchanged program pursuant to which would exchange one share of Milestone Scientific Inc. common stock for every two outstanding shares of Milestone Medical common stock.

NOTE 6 - RELATED PARTY TRANSACTIONS (Continued):

As of March 31, 2019, 5,319,042 shares of Milestone Scientific common stock have been issued in exchange for 10,638,084 shares of Milestone Medical common stock. Because of these exchanges, Milestone Scientific owned approximately 99% of Milestone Medical at March 31, 2019.

NOTE 7 - CONCENTRATIONS:

The Company has informal arrangements for the manufacture of its products, the epidural and intra-articular instruments are manufactured by Tricor Systems, Inc. pursuant to specific purchase orders. There are no open purchase orders for the manufacture of instruments as of March 31, 2019. The Company sub-contracts its research and development to a vendor, which accounted for 68% and 87% of research and development expenses incurred for three months ending March 31, 2019 and 2018, respectively. The epidural and intra-articular handpiece with needle components are supplied to Milestone Medical by several independent contractors in the United States, which arrange for its manufacture in China.

The termination of the manufacturing relationship with any of the above manufacturers could have a material adverse effect on Milestone Medical's ability to produce and sell its products. Although alternate sources of supply exist, and new manufacturing relationships could be established, Milestone Medical would need to recover its existing tools or have new tools produced. Establishment of new manufacturing relationships could involve significant expense and delay. Any curtailment or interruption of the supply, whether because of termination of such a relationship, would adversely affect Milestone Medical.

NOTE 8 - COMMITMENTS AND CONTINGENCIES:

In July 2017, Mr. Osser also resigned from his positions of Chairman of the Board, Chief Executive Office and President of Milestone Medical. Upon his resignation, Milestone Medical entered in a consulting agreement with U.S. Asian Consulting Group LLC, an entity controlled by Mr. Osser, pursuant to which he will provide specific services to Milestone Medical for a ten- year term. Pursuant to the consulting agreement, U.S. Asian Consulting Group, LLC, is entitled to receive \$100,000 per year for Mr. Osser's services. On December 19, 2017, Mr. Osser placed on hold his position as his consulting agreement with Milestone Medical to rejoined Milestone Scientific Inc. as Interim Chief Executive Officer and will not receive or earn any compensation under consulting agreements until he is no longer Interim Chief Executive Officer.

NOTE 9 – SUBSEQUENT EVENT:

After March 31, 2019, Milestone Scientific Inc., has advanced Milestone Medical approximately \$135,000 to continue the commercialization process for the epidural instrument and other expenses necessary for the day to day operations of Milestone Medical. Milestone Scientific Inc. is not legally obligated to loan or advance additional funds to the Issuer. See Note 2.

3. Information on the rules applied to the preparation of the report, including information on the changes in applied account rules (policies)

Consolidated quarterly report for the first quarter of 2019 was prepared in accordance with the rules indicated in Exhibit 3 to the Alternative Trading System Rules “Current and Periodical Information in the Alternative Trading System on the NewConnect market”. Information on applied accounting rules (policies) are presented in Note 3 to the Financial Statement. During the first quarter of 2019, the company adopted the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, Leases Topic 842. Adoption of this standard did not have an significant impact on our financial statements.

4. Brief description of the most important achievements or failures of the Issuer and its Subsidiary during the period of the report as well as a description of the most important factors and events, atypical ones, which impact the achieved results.

The Company received notification from the FDA in December 2016 that based upon the 510(k)-application submitted for the Company's Compu-Flo Intra Articular Computer Controlled Injection System, the Company did not adequately document that the device met the equivalency standard required for 510(k) clearances. The Company provided an additional data submission to the FDA in April 2017, in support of a resubmission 510(k) application for the device. The 510K original application filed with FDA lapsed in January 2019. The Company intends to resubmit an application for a 510k to the FDA in 2019.

The Company currently employs three (3) full time employees. In February and March 2018, Milestone Scientific Inc. added two key employees for Milestone Medical Inc. We added an Executive VP of Global Marketing and Sales and a Vice President of USA Sales. These two employees will promote direct market support for Milestone Medical and assist on moving the medical business forward on an accelerated track. Additionally, the Issuer is continuing its efforts to identify and meet with potential distributors for both instruments throughout the world. The Issuer's Executive VP of Global Marketing and Sales, Senior Vice President of Marketing and Sales, and a contracted Business Development Representatives for Europe and the Middle East are actively pursuing distribution partners. In July 2018, Milestone Scientific added a Director of Marketing, a fulltime position to assist in the domestic and international marketing plan to the potential customer base. In late 2017, the Issuer terminated a Distributor Agent with Moss. S.P.A. for lack of performance. At the same time the Issuer engaged a new Italian Distributor, who has purchased first instruments and is introducing the Epidural Instrument to its customer base.

The Company is in the process of identifying distributors in the USA for the Epidural instruments, now that USA (FDA) clearance has been received.

The Company signed a Distributor Agreement in the USA in October 2018. The Agreement referred that the Distributor purchase and hold inventory of the CompuFlo® Epidural instruments and disposables. The Distributor identified above purchased five (5) instruments and disposables after signing the agreement.

5. A description of the status of implementation of activities and investments of the Issuer and its Subsidiary and the timetable of their implementation

The Issuer began the process to market and sell its epidural instruments in the European market upon receiving CE clearance in September 2014. Two medical distribution agreements for the epidural instrument and disposables were signed in 2015.

Because of several years of diligent effort, on June 23, 2017 Milestone Scientific was notified by FDA (USA) that the Epidural instrument received marketing clearance in the USA.

The Company received notification from the FDA in December 2016 that based upon the 510(k)-application submitted for the Company's Compu-Flo Intra Articular Computer Controlled Injection System, the Company did not adequately document that the device met the equivalency standard required for 510(k) clearances. The Company provided an additional data submission to the FDA in April 2017, in support of a resubmission 510(k) application for the device. The 510K original application filed with FDA lapsed in January 2019. The Company intends to resubmit an application for a 510k to the FDA in 2019.

In April 2017, the company reported on ESPI 5/2017 that Milestone Medical was granted market clearance for its Epidural, Intra-Articular instruments and disposables in Australia. During 2018, clearance to sell the Epidural Instrument in Canada. The Company is continuing in the process of selecting a distributor to market these instruments in Australia.

6. If the Issuer and its Subsidiary took initiatives to develop its activities aimed to implement innovative solutions at the enterprise during the period of the report – information on such activities.

The Issuer and its Subsidiary continues to consider and where appropriate include innovative initiatives for its two medical instruments in the EU community. The Company continues to work and introduce the Epidural instrument in key medical institutions in the United States.

7. Description of the organization of the group indicating consolidated entities

Up to the date of this report completion, the Issuer does have a special purpose subsidiary Milestone Medical Poland Sp. z.o.o. The purpose of this company is the application and acceptance of Polish Government Grants for research and development of the current and future improvements to the two instruments.

Below the Issuer presents some basic information about its subsidiary:

Table 6 General information about Subsidiary of the Issuer

SUBSIDIARY	MILESTONE MEDICAL POLAND SP. Z.O.O.
Registered office/Office:	Plac Powstancow Slaskich 1/201, 53-329 Wroclaw
Telephone number:	48 (71)79 11 555
Facsimile number:	48 (71) 79 11 556
Percentage share of the Issuer in share capital	75 percent

Source: The Issuer

Milestone Medical Poland Sp. z.o.o. was established in September 2014 and is not active at the time. The Issuer has prepared Condensed Consolidated Financial Statements with this subsidiary according to laws and regulations applicable to the Issuer.

Leonard Osser
Interim Chief Executive Officer