



Consolidated Quarterly report of
MILESTONE MEDICAL, INC. and Subsidiary
1st quarter (from January 1, 2015 to March 31, 2015)

Report include:

1. General information about Milestone Medical, Inc
2. Consolidated quarterly 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, in particular atypical ones, which impact 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, 2015

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
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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 quarterly 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

Name of Shareholder	Number of owned shares/votes	Shareholding/votes at General Meeting of Shareholders [%]
MILESTONE SCIENTIFIC, INC.	10,995,000	49.98%
WANG TAO*	2,600,000	11.82%
ZHANG LIDONG	2,000,000	9.09%
ZHU YUN	1,600,000	7.27%
TOM CHENG*	1,325,000	6.02%
OTHERS (<5%)	3,480,000	15.82%
TOTAL	22,000,000	100%

Source: The Issuer

*Holding directly 320,000 shares and indirectly 1,005,000 shares by his subsidiary United Systems Inc.

1.2. Board of Directors

Table 3 Board of Directors

NAME OF DIRECTOR	CURRENT AGE	DIRECTOR SINCE	END OF TERM
Leonard A. Osser	68	March 2011	Next Annual Meeting of Shareholders
Zhu Yun	49	September 2013	Next Annual Meeting of Shareholders
Martin S. Siegel	70	September 2013	Next Annual Meeting of Shareholders

Source: The Issuer

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

On March 31, 2015 the Issuer employed three full time employees and three (3) persons converted into full-time equivalents (“FTEs”).

2. Selected consolidated financial information

2.1. Selected consolidated financial data from Balance Sheet

Consolidated Balance Sheet items presented in euros converted at the closing exchange rate of EUR/USD on dates:

31.03.2015: 1 EUR = 1,0741 USD

31.03.2014: 1 EUR = 1,3773USD

Table 4 Selected consolidated financial data of the Balance Sheet of Milestone Medical and its Subsidiary as of March 31, 2015 with comparable data for year 2014

Selected consolidated financial data from balance sheet	USD		EUR	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Current assets	635,712	2,040,824	591,856	1,481,757
Cash	103,815	1,654,876	96,653	1,201,536
Prepaid expenses and other current assets	123,584	10,184	115,058	7,394
Advances to contractors	349,886	372,074	325,748	270,147
Inventory	58,427	3,690	54,397	2,679
Equipment, net depreciation	88,586	57,279	82,475	41,588
Intangible assets	1,500,000	1,500,000	1,396,518	1,089,087
Current liabilities	448,106	121,576	417,192	88,271
Common stock	2,200	2,200	2,048	1,597
Accumulated paid-in-capital	6,611,524	6,196,537	6,155,408	4,499,046
Accumulated deficit during the development stage	(5,222,121)	(2,722,210)	(4,861,857)	(1,976,483)
Stockholder's equity	1,391,604	3,476,527	1,295,600	2,524,161

Source: The Issuer

2.2. Selected consolidated financial data from Statement of Operations

Consolidated Statement of Operations items presented in euros converted at the arithmetic average of an exchange rate of EUR/USD for periods:

01.01.2015 to 31.03.2015: 1 EUR = 1,1252 USD

01.01.2014 to 31.03.2014: 1 EUR = 1,3701 USD

Table 5 Selected consolidated financial data of the Statement of Operations of Milestone Medical and its Subsidiary from January 1, 2015 to March 31, 2015 with comparable data for year 2014

Milestone Medical, Inc. is a development stage company. As such there are no revenues.

Selected consolidated financial data from income statement	USD		EUR	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Revenue	-	-	-	-
Depreciation	5,150	3,850	4,577	2,810
Research and development expenses	133,567	31,576	118,705	23,046
Total other expenses	751,194	251,727	667,610	183,729
Net loss	(890,280)	(287,153)	(791,220)	(209,585)

Source: The Issuer

3. 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

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the three months ended March 31, 2015 and 2014 (unaudited) and
As of and for the year ended December 31, 2014 (audited)

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MILESTONE MEDICAL INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Current Assets:		
Cash	\$ 103,815	\$ 1,080,035
Prepaid expenses and other current assets	123,584	86,906
Advances to contractors	349,886	370,230
Inventory	58,427	45,244
Total current assets	<u>635,712</u>	<u>1,582,415</u>
Equipment, net of accumulated depreciation of \$5,150 as of March 31, 2015 and \$16,621 as of December 31, 2014	88,586	93,737
Intangible asset	1,500,000	1,500,000
Total assets	<u>\$ 2,224,298</u>	<u>\$ 3,176,152</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable and accrued expense	\$ 448,106	\$ 462,656
Advance on line of credit from Milestone Scientific Inc.	200,000	-
Due to related party	184,589	500,000
Total current liabilities	<u>832,695</u>	<u>962,656</u>
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, par value \$.0001; authorized 5,000,000 shares; 0 shares issued		
Common stock, par value \$.0001; authorized 50,000,000 shares; 22,000,000 shares issued and outstanding at March 31, 2015 and December 31, 2014	2,200	2,200
Additional paid-in capital	6,611,524	6,543,137
Accumulated deficit	(5,222,121)	(4,331,841)
Total stockholders' equity	<u>1,391,603</u>	<u>2,213,496</u>
Total liabilities and stockholders' equity	<u>\$ 2,224,298</u>	<u>\$ 3,176,152</u>

See Notes to Consolidated Financial Statements



MILESTONE MEDICAL INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>Three Months Ended</u> March 31, 2015 (Unaudited)	<u>Three Months Ended</u> March 31, 2014 (Unaudited)	<u>Year Ended</u> December 31, 2014 (Audited)
Revenue	\$ -	\$ -	\$ -
Research and development expenses	133,567	31,576	401,308
Expenses:			
Shared services	68,387	58,703	394,720
Depreciation	5,150	3,850	16,621
General and administrative expenses	682,807	193,024	1,083,848
Total expenses	889,911	287,153	1,896,497
Interest expense	369	-	287
Net loss	\$ (890,280)	\$ (287,153)	\$ (1,896,784)

See Notes to Consolidated Financial Statements



MILESTONE MEDICAL INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares (in thousands)	Amount			
Balance, December 31, 2014	22,000	2,200	6,543,137	(4,331,841)	2,213,496
Contributed Capital-Milestone Scientific Inc Shared Service Expense	-	-	68,387	-	68,387
Net Loss	-	-	-	(890,280)	(890,280)
Balance, March 31, 2015	22,000	\$ 2,200	\$ 6,611,524	\$ (5,222,121)	\$ 1,391,603

See Notes to Consolidated Financial Statements



MILESTONE MEDICAL INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2015 (Unaudited)	Three Months Ended March 31, 2014 (Unaudited)	Year Ended December 31, 2014 (Audited)
Cash flows from operating activities:			
Net loss	\$ (890,280)	\$ (287,153)	\$ (1,896,784)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation expense	5,150	3,850	16,621
Contributed capital - Milestone Scientific Inc shared services expense	68,387	69,703	394,720
Changes in operating assets and liabilities:			
Increase in inventories	(13,183)	(3,690)	(45,244)
Decrease in advances to contractors	20,344	-	1,844
Increase to prepaid expenses and other current assets	(36,679)	(5,359)	(82,080)
(Decrease) Increase in accounts payable and accrued expenses	(14,548)	(4,385)	336,692
(Decrease) due to related party	(315,411)	-	500,000
Net cash from in operating activities	<u>(1,176,220)</u>	<u>(227,034)</u>	<u>(774,231)</u>
Cash flows from investing activities:			
Purchase of equipment	-	-	(27,644)
Net cash from investing activities	<u>-</u>	<u>-</u>	<u>(27,644)</u>
Cash flows from financing activities:			
Proceed from Line of credit	200,000	-	-
Net cash from financing activities	<u>200,000</u>	<u>-</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH	(976,220)	(227,034)	(801,875)
Cash at beginning of period	1,080,035	1,881,910	1,881,910
Cash at end of period	<u>\$ 103,815</u>	<u>\$ 1,654,876</u>	<u>\$ 1,080,035</u>
Supplemental disclosure of non cash activities:			
Contributed Capital - Milestone Scientific Inc Shared Services Expense	\$ 68,387	\$ 69,703	\$ 394,720
Contributed Capital-Fixed Assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,584</u>

See Notes to Consolidated Financial Statements



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
Three months ended March 31, 2015 and 2014 and
the year ended December 31, 2014**

NOTE 1 - ORGANIZATION:

In March 2011, Milestone Scientific Inc entered into an agreement with Beijing 3H Scientific Technology Co, Ltd (“ Beijing 3H”) a medical equipment distribution company organized in the People’s Republic of China (“PRC”), to establish a medical joint venture entity now named Milestone Medical Inc. (the “Company”) to develop intra-articular and epidural drug delivery instruments. The controlling shareholders of Beijing 3H and other shareholders contributed \$1.5 million in cash for a 50% ownership interest in this medical joint venture and Milestone Scientific Inc. contributed a royalty – free right to use its patented Compuflo Technology, which was valued initially at \$1.5 million for the remaining 50% ownership interest.

The Company is incorporated in the State of Delaware and is in its development stage. This stage is characterized by significant expenditures for the development, commercialization and for regulatory approval for two medical instruments. As of March 31, 2015, the Company has not yet obtained regulatory approval. However as of September 2014, the company did receive CE clearance to market the instruments in the European Market. As a development stage company, the Company is limited to expending funds provided by its stockholders. In 2014, the Company entered a commercial mode with the commitment to purchase 500 instruments (250 epidural and 250 intra-articular instruments). These instruments have progressed beyond the development stage and are now awaiting final regulatory marketing clearance in the U.S. (FDA). Regulatory clearance was received in September 2014 in the European Union (CE). In the interim, introductory meetings are being held with medical device distributors. Once the Company’s planned principal operations commence, its focus will be on the marketing its two instruments throughout the world.

In September 2014, the Company established a special purpose Polish company called Milestone Medical Poland S.P. 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 S.P. z.o.o., is seventy –five percent owned by the Company. As of March 31, 2015, Milestone Medical Poland S.P. z.o.o. has not received any grants from the Polish Government.

The Company has incurred operating losses since its inception. The Company has used cash in operations since inception of approximately \$4.1 million. In October and November 2013, the Company raised \$2,4 million in net proceeds (gross funding was \$3 million) through a Private Placement Offering. The offering resulted in the issuance of 2 million shares of common stock at \$1.50 (4.65 PLN) per share in a private placement in Poland. Although the Company’s instruments have progressed beyond the development stage, additional equity financing will be necessary to fund final regulatory approval and commercialization of the medical instruments and the Company is in the process of pursuing a private placement to raise the necessary financing.

In December 2014, the Company obtained a \$2,000,000 line of credit from Milestone Scientific to provide bridge financing to assist in the financing of the cost of the private placement transaction and to meet short term working capital needs. The line of credit agreement provides for the Company to obtain advances from Milestone Scientific up to \$2 million through April 2016. Advances on the line

bear interest at a rate of 3.25% per annum, and the line matures on April 15, 2016. At March 31, 2015, \$200,000 was outstanding on the line and is included in notes payable on the consolidated balance sheet.

The unaudited financial statements of Milestone Medical Inc., have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

These unaudited financial statements should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2014 included in Milestone Medical Inc's Annual Report.

In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary to fairly present Milestone Medical Inc's financial position as of March 31, 2015 and the results of its operations for the three months then ended.

The results reported for the three months ended March 31, 2015 are not necessarily indicative of the results of operations which may be expected for a full year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Consolidation

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

Cash and Cash Equivalents

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

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advances to Contractors

The advances to contractors represent funding to a subcontractor, in the fourth quarter for year ended December 31, 2013, for advances on parts required to produce both epidural and intra articular instruments. The advances are expected to be utilized in 2015.

Equipment

Equipment (molds for pre-production and commercialized instruments) 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 is five years. The costs of maintenance and repairs are charged to operations as incurred.

Intangible Asset

In connection with the formation and capitalization of the Company, the business was valued at inception using the discounted cash flow method, which resulted in a valuation of approximately \$3 million. The Company allocated the business valuation between the cash that Beijing 3H agreed to contribute (\$1.5 million) and the remaining \$1.5 million was allocated to Milestone Scientific Inc.'s contribution of a royalty-free right to use its patented CompuFlo technology (intangible asset). The Company will begin amortizing the intangible asset contributed when either of the two medical devices has been commercialized. The asset's estimated useful life will be based on the average remaining life of the underlying patents. The Company assesses the intangible asset for impairment at each reporting period or sooner if there are indicators that trigger an earlier assessment. The Company's impairment assessment is based on several factors including the progress made in developing the two medical instruments, the results from the research performed by the vendor, the Company's ability to use its technical capabilities to forecast the outcome of the research being performed and more recently feedback received from professionals as the Company applies for FDA approval. All these factors indicate that the technology continues to be feasible to be used in the two instruments being developed. Accordingly, no impairment has been recorded in these financial statements for the periods being reported.

Research and Development

Research and development costs are expensed as incurred. A portion of the Company's research and development efforts are sub-contracted to vendors and progress is monitored periodically.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized.

Accounting for Uncertain Tax Positions

The Company follows the Income Taxes Topic of the FASB Accounting Standards Codification, which provides clarification on accounting for uncertainty in income taxes recognized in the Company's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition.

At March 31, 2015 and December 31 2014, 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 since inception are subject to audit by federal and state jurisdictions.

Services Provided by Stockholder

The Company is provided management, financial, engineering and accounting services by the staff of Milestone Scientific. The value related to these services is charged to the Company on a periodic basis and is included in the consolidated financial statements as shared service expense. Additional paid in capital has been credited for the rendered services.

Subsequent Events

Management has evaluated subsequent events through May 15, 2015, the date the financial statements are available to be issued, for inclusion or disclosure in the financial statements.

NOTE 3 - JOINT VENTURE AGREEMENT:

In connection with the Joint Venture Agreement between Milestone Scientific Inc and Beijing 3H, the controlling shareholders of Beijing 3H and other shareholders contributed \$1.5 million, to the Company, \$670,000 in 2011 and \$830,000 in 2013 for a fifty (50) percent ownership. At inception, the Company reviewed this transaction to assess the technological feasibility of the products being developed. Based on the following factors, the Company believed the technology was feasible from inception.

- Milestone Scientific Inc. patented its CompuFlo technology in several instruments.
- The patents were generic for use in the medical and dental markets when granted.
- The capabilities to use this technology existed from CompuFlo technology and as technology evolved the Company has improved the technology over a number of years.
- The Director of Clinical Affairs of the Company was involved significantly in developing these patents initially and his conclusions are that technology is feasible for use in medical devices.

Milestone Scientific Inc. was 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 personnel monitored the development of the instruments with the third party vendors on a periodic basis thus ensuring that the instruments are being developed on a timely basis.

Milestone Scientific Inc. will have distribution responsibility in the U.S. and Canada, while Beijing 3H was to distribute products exclusively in the PRC, Macao, Hong Kong and other regions of Asia. In September 2014, the Company terminated its distribution agreement with Beijing 3H upon the resignation of Mr. Feng Yulin. The Company entered a new distribution agreement with Milestone China Ltd, (Hong Kong Company, owned (40) percent by Milestone Scientific, a significant shareholder of the Company). The distribution agreement is similar to that of Beijing 3H and it includes both the epidural and the intra-articular instruments. The Company will have distribution responsibilities for the rest of the world.

NOTE 4 - STOCKHOLDERS' EQUITY:

In June 2013, the Company entered an agreement with an agent in Poland to provide assistance in raising capital in a Private Placement Memorandum (PPM). Such amount raised in the PPM, were subject to the Company's approval and subsequent listing on the Warsaw Stock Exchange in Poland. The agreement called for a service fee payable to the agent upon consummation and the amount was deducted as described below. In addition, the Company entered a three year advisory agreement with

a firm in Poland for their services provided capital is raised and shares of common stock are listed on the stock exchange.

In October and November 2013, the Company completed the sale of 2 million shares of the Company's common stock at \$1.50 (4.65 PLN) per share (\$3 million capital raised – net proceeds of \$2,363,006) in a private placement in Poland.

NOTE 5 - RELATED PARTY TRANSACTIONS:

On December 31, 2014, Milestone Scientific Inc., a significant shareholder of the Company executed a \$2 million line of credit agreement to provide bridge financing to the Company through April 15, 2016. Interest is being charged at a rate of 3.25%, the prime rate at the inception of the agreement. As of March 31, 2015, Milestone Scientific has advanced \$200,000 to Milestone Medical.

The Company is provided management, financial, engineering and accounting services by the staff of Milestone Scientific, Inc.

In December 2012, the Company purchased equipment for \$77,000 from a supplier who is also an investor in the Company and Milestone Scientific, Inc. In October 2014, the Company purchased tooling equipment for \$25,645 from the same supplier.

The shared expenses relating to the Company is provided management, financial, engineering and accounting services by the staff of Milestone Scientific, Inc, its joint venture partner. The shared expenses for the three months ended March 31, 2015 and 2014 are \$68,387 and \$58,703, respectively.

As of March 31, 2015 the Company owes \$184,589 to Milestone Scientific for expense paid on the Company's behalf during the first quarter of 2015.

Milestone Scientific Inc. charged expenses to the Company based on estimated time expended on the development, supervision and management of the project. For the three months ended March 31, 2015 , Milestone Scientific Inc. expended approximately \$45,000 on regulatory legal fees (FDA Regulations) in time charges relating to project management for the three months ended March 31, 2015. These charges have been credited to additional paid-in capital.

NOTE 6 - PROVISION FOR 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. The income tax provision or credit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

NOTE 7 - CONCENTRATIONS:

Cash

The Company maintains cash balances in a financial institution. At various times during the period, balances may have exceeded insured limits.

Vendor

The Company sub-contracts its research and development to a vendor which accounted for 97%, 59% and 78% of total expenses incurred for the for three months ended March 31, 2015, year ended December 31, 2014, and from March 8, 2011 (Inception) to March 31, 2015, respectively.

NOTE 8 - COMMITMENTS AND OTHER:

Commitments:

The Company has entered in a line of credit agreement with a significant shareholder, Milestone Scientific Inc. to provide funding through April 15, 2016. Interest will be charged at a rate of 3.25% percent the prime rate at the inception of the Agreement.

In February 2014, the Company issued a purchase order for the manufacture of the epidural and Intra Articular instruments for the production of a total of five hundred (500) instruments. The total commitment under this purchase order is \$913,750. A total of \$350,000 was previously advanced in 2013 for the long lead time parts. The instruments are expected to be delivered by the end of 2015.

In July 2013, Milestone Scientific Inc, (as an agent for Milestone Medical Inc), entered a strategic partnership with the largest provider of specialty sales and distribution solutions for healthcare in the United States. During the three year strategic partnership, the distributor will hold the exclusive rights to market, resell, label and distribute Milestone's *CompuFlo* injection technology for use in epidural applications for childbirth and other pain management needs in hospitals in the U.S.

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

Consolidated quarterly report or first quarter of 2015 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) was presented in Note 2 to the Financial Statement. During first quarter of year 2015, there was no change to the applied accounting rules.

5. 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, in particular atypical ones, which impact the achieved results.

During the first quarter ending March 31, 2015, the Issuer and its Subsidiary continued the process of obtaining regulatory approval for the two medical instruments (Epidural and Intra-Articular Injections Systems) in the United States. The regulatory approval process for the USA (FDA), is moving forward. As of March 31, 2015 the Issuer is in the process of clinical studies at several premier sites in the U.S. Successful completion of the studies is a necessary step in obtaining FDA clearance to market the instrument in the USA. The Issuer received CE clearance for both instruments in September 2014. The Company hired three full time employees; President, a Director of Sales and Business Development and an instrument trainer. Additionally, the Company is continuing its efforts to identify and meet with potential distributors for both instruments throughout the world. The Issuer’s President and two employees are actively traveling throughout Europe and the USA presenting new instruments to prospective medical distributors. As noted in EBI report no. 12/2015 published on March 23, 2015, the Issuer announced that it entered into a distribution agreement for the epidural instrument with Trimed Sp. z.o.o., one of the largest distributors of diagnostic equipment in Poland. The agreement represents the Company’s first commercialization of the epidural instrument in the European Market. The marketing of both instruments is an ongoing process, but it is important to have the respective distributors identified and ready to begin the sales process once regulatory approval is received in the USA. As announced last year, the Issuer already has a distribution channel in place with one of the largest specialty distributors of healthcare products in the United States to market and sell the Company epidural instrument. The Issuer looks forward to creating similar agreements in other markets this year. There were no failures noted during this

quarter.

At the end of March 31, 2015, the Issuer and its Subsidiary has generated net loss of \$890,280. This loss was caused mainly due to high level of “general and administrative expenses”, which amounted to \$682,807. Such high level of these expenses was incurred due to the market and commercialization of the instruments in Europe as well as building out the staff for the Company.

6. 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 marketing and sale of its epidural instruments, in the European market upon receiving CE clearance in September 2014. The USA approval process in the USA is continuing to move forward at a slower rate than previously anticipated but the direction is still optimistic. Since the Issuer’s intra-articular instrument is at an earlier stage of development and further development of that instrument and its disposable is expected. As such marketing and sales will occur at a later date, even if the U.S. FDA marketing approval is obtained on the recently filed application. Marketing and sale of the intra-articular instrument is expected to begin approximately one year following FDA marketing clearance in 2015.

As announced in the previous year, the Company Board of Directors has approved plans for the Issuer to uplist from NewConnect Market to the Main Market of the Warsaw Stock Exchange, which the Company expects to occur in the third quarter of 2015, subject to approval of the Company’s prospectus. Transitioning to the Main Market of the Warsaw Stock Exchange will be an important development for the Issuer as the Issuer believes this will help increase awareness and expand the number of potential investors in the company. In tandem with the uplisting, the Issuer expects to complete a public offering of the Company shares, which the Company expects will occur at a substantial premium to the Company prior offering.

In the beginning of March 2015, the Issuer announced the start of its pivotal clinical trial for its epidural instrument at a major pain management center in the United States. The Company has also met FDAAA 801 requirements for submission of the clinical trial information to the Director of the National Institutes of Health (NIH) for inclusion in the registry and results database established via ClinicalTrials.gov for its CompuFlo Epidural Computer Controlled System for assessing the safety and effectiveness of the instrument for identifying the epidural space. Recruitment for the clinical

trial is underway and the first patients are now taking part in the study. The whole process of clinical trials for epidural instrument for the Company is expected to finish in the second half of 2015.

7. 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. During this quarter, there were no new initiatives, other than those described in Item #4 and Item #6, above.

8. 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 consolidated financial statements with this subsidiary according to laws and regulations applicable to the Issuer.

Leonard A. Osser
Chief Executive Officer