Consolidated report of

MILESTONE MEDICAL INC. and its SUBSIDIARY

2nd quarter (April 1, 2022 to June 30, 2022)

Report includes:

1. General information about Milestone Medical, Inc. ("Issuer") and Milestone Medical Poland Sp. Z o.o. (the Subsidiary), collectively the Company or Milestone Medical.
2. 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, August 16, 2022

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:	425 Eagle Rock Avenue, Roseland, NJ 07068, USA
Telephone number:	011-973-535-2717
Facsimile number:	011-973-535-2829
E-mail:	kharcum@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

1.2. Board of Directors

Table 3 Board of Directors

NAME OF DIRECTOR	CURRENT AGE	DIRECTOR SINCE	END OF TERM
Zhu Yun	56	Aug -18	Next Annual Meeting of Shareholders
Martin S. Siegel	77	Aug -18	Next Annual Meeting of Shareholders

Source: The Issuer

On August 18, 2021 the Annual General Meeting of Shareholders adopted the resolution on the appointment of two directors: Zhu Yun and Martin S. Siegel to the Board of Directors for new term of office. The resolution has been entered into force on the date of adoption. The Directors to the Board have been elected to serve until the next Annual Meeting of Shareholders or until their respective successors have been elected and qualified.

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

As of June 30, 2022, the Issuer employed five (5) full time employees and nine (9) persons allocated from the parent company (Milestone Scientific, Inc.) converted into full-time equivalents ("FTEs"). The Company expanded its medical sales team in 2021 and 1Q 2022 and will continue to promote direct marketing support to hospitals and pain clinics throughout the world during 2022. However, as of June 30, 2022, the Company reduced its sales team in half due to an increase in costs not off-set by the slow revenue projections. The Company is concentrating on certain territories in the USA.

2**. Condensed Consolidated quarterly financial statements**

Condensed 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 June 30, 2022 and December 31, 2021, and
for the three and six months ended June 30, 2022 and 2021 (unaudited)

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Milestone Medical, Inc. and Subsidiary
Condensed Consolidated Balance Sheets
(unaudited)

	June 30, 2022	December 31, 2021
ASSETS		
Cash	$ 3,133	$ 35,448
Accounts receivable	28,158	14,650
Inventories, net	604,970	1,122,029
Advances to contractors	41,139	34,383
Prepaid expenses and other current assets	135,715	159,543
Total current assets	813,115	1,366,053
Equipment, net	5,420	7,458
Total assets	$ 818,535	$ 1,373,511
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable	$ 64,905	$ 180,536
Accounts payable, related party	6,985	-
Accrued expenses and other payables	246,292	267,933
Accrued expenses and other payables, related party	60,263	1,368
Accrued interest payable- related party	630,260	585,135
Advances from related party	20,877,062	18,520,251
Due to related party	2,800,000	2,800,000
Total current liabilities	$ 24,685,767	$ 22,355,223
Commitments		
Stockholders' deficit		
Common stock, par value $.0001; authorized 50,000,000 shares; 22,000,000 shares issued and outstanding at June 30, 2022, and December 31, 2021.	2,200	2,200
Additional paid-in capital	7,516,240	7,502,363
Accumulated deficit	(31,385,672)	(28,486,275)
Total stockholders' deficit	(23,867,232)	(20,981,712)
Total liabilities and stockholders' deficit	$ 818,535	$ 1,373,511

See Notes to Condensed Consolidated Financial Statements

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Product sales, net	$ 38,600	$ 21,000	$ 46,150	$ 92,050
Cost of products sold	441,555	9,871	444,341	38,309
Gross (loss) profit	(402,955)	11,129	(398,191)	53,741
Selling, general and administrative expenses	1,181,009	1,113,921	2,412,894	2,031,953
Research and development expenses	30,301	31,044	38,251	47,488
Depreciation and amortization	1,019	1,164	2,038	5,015
Total operating expenses	1,212,329	1,146,129	2,453,183	2,084,456
Loss from operations	(1,615,284)	(1,135,000)	(2,851,374)	(2,030,715)
Interest expense	(24,136)	(23,957)	(48,023)	(47,665)
Loss before income tax	(1,639,420)	(1,158,957)	(2,899,397)	(2,078,380)
Provision for income taxes	-	-	-	-
Net loss	$ (1,639,420)	$ (1,158,957)	$ (2,899,397)	$ (2,078,380)

See Notes to Condensed Consolidated Financial Statements

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

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Total
Balance, January 1, 2022	22,000,000	$ 2,200	$ 7,502,363	$ (28,486,275)	$ (20,981,712)
Stock Compensation from Parent	-	-	57,921	-	57,921
Net loss	-	-	-	(1,259,977)	(1,259,977)
Balance, March 31, 2022	22,000,000	$ 2,200	$ 7,560,284	$ (29,746,252)	$ (22,183,768)
Stock Compensation from Parent	-	-	(44,044)	-	(44,044)
Net loss	-	-	-	(1,639,420)	(1,639,420)
Balance, June 30, 2022	22,000,000	$ 2,200	$ 7,516,240	$ (31,385,672)	$ (23,867,232)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Total
Balance, January 1, 2021	22,000,000	$ 2,200	$ 7,258,833	$ (24,283,286)	$ (17,022,253)
Stock Compensation from Parent	-	-	66,490	-	66,490
Net loss	-	-	-	(919,423)	(919,423)
Balance, March 31, 2021	22,000,000	$ 2,200	$ 7,325,323	$ (25,202,709)	$ (17,875,186)
Stock Compensation from Parent	-	-	64,360	-	64,360
Net loss	-	-	-	(1,158,957)	(1,158,957)
Balance, June 30, 2021	22,000,000	$ 2,200	$ 7,389,683	$ (26,361,666)	$ (18,969,783)

See Notes to Condensed Consolidated Financial Statements

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

	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash flows from operating activities:		
Net loss	$ (2,899,397)	$ (2,078,380)
Adjustments to reconcile net cash (used in) operating activities:		
Depreciation and amortization expense	2,038	5,015
Stock compensation from parent	13,877	130,850
Inventory reserve	430,206	-
Changes in operating assets and liabilities:		
Increase in accounts receivable	(13,508)	-
Decrease (increase) in inventories	86,853	(200,476)
Increase in advances to contractors	(6,756)	(19,426)
Decrease to prepaid expenses and other current assets	23,828	54,636
(Decrease) increase in accounts payable and accrued expenses	(137,272)	160,931
Increase in accounts payable and accrued expenses, related party	65,880	-
Increase in accrued interest related party	45,125	45,126
Net cash used in operating activities	$ (2,389,126)	$ (1,901,724)
Cash flows from investing activities:		
Purchases of equipment	-	(6,481)
Net cash used in investing activities	$ -	$ (6,481)
Cash flows from financing activities:		
Advances from parent	2,356,811	2,014,792
Net cash provided by financing activities	$ 2,356,811	$ 2,014,792
Net (decrease) increase in cash	(32,315)	106,587
Cash at beginning of period	35,448	22,119
Cash at end of period	$ 3,133	$ 128,706

See Notes to Condensed Consolidated Financial Statements

NOTE 1 – ORGANIZATION AND BUSINESS:

In March 2011, Milestone Medical, Inc. and subsidiary (the "Company" or "Milestone Medical") 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. (the "Parent Company") 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.

During 2016, Milestone Scientific filed for 510(k) marketing clearance with the U.S. Food and Drug Administration (FDA) for both intra-articular and epidural injections with the CompuFlo System. In June 2017, the FDA approved the CompuFlo System for epidural injections. Beginning in 2021 Milestone Medical began the process of building an internal sales force to market our epidural instrument to medical schools, hospitals and individual anesthesiologists within the United States and other international markets.

In December 2016, we received notification from the FDA that based upon the 510(k)-application submitted for intra-articular injections, we did not adequately document that the device met the equivalency standard required for 510(k) clearances. The Company has decided not to proceed with securing the FDA approval for the intra-articular instrument at this time. Milestone Medical's immediate focus is on marketing its epidural device throughout the United States and Europe.

In March 2022, due to information identified during the Corrective Action Preventative Action (CAPA) investigation of the Epidural Disposable Kit, Part # 6100-01, lot HC 51 the scope of the voluntary market withdrawal needed to be expanded to include Part # 6100-03, lot HC 50. A new non-conformance was initiated, and Lot HC 50 was added to the scope of the CAPA initiated above. The investigation via the CAPA identified that there is an issue with the id adaptors used in both lot's HC 51 and HC 50. However, the health hazard evaluation shows that there is no risk to the patient or the user, thus management has determined there are no potential impacts to patients or users. Lot's HC 51 and HC 50 are worth approximately $22,000 and $10,000 respectively. As of June 30, 2022, Management has not yet determined what the final disposition of the affected inventory, the Company is working with the manufacture to determine solution to the withdrawal. As of June 30, 2022, all the affected inventory is in quarantine and not for sale.

NOTE 2 - LIQUIDITY AND GOING CONCERN:

The Company has evaluated whether there are conditions or events, considered taken together, which raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the condensed consolidated financial statements are issued. Milestone Medical has incurred significant operating losses since its inception. As of June 30, 2022, cash on hand was $3,133 with negative working capital of approximately $23.9 million.

As of June 30, 2022, the Company 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 will continue to manage its cash position while taking strategic steps to commercialize the Epidural instrument in the USA and throughout the world.

During the second quarter of 2020 the Parent Company raised gross proceeds of approximately $19.7 million from the sale of common stock and warrants. Milestone Scientific, Inc. intends to advance additional funds to the Company for marketing, sales, and distribution of its CompuFlo® Epidural

System. If Milestone Scientific, Inc. does not or is not able to advance appropriate amounts of funding and Milestone Medical is unable to obtain other sources of funding, there will 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 accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

In the opinion of management, the accompanying unaudited condensed consolidated 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, 2021, included in Milestone Medical's Annual Report filed on March 18, 2022.

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.

Reclassifications

Certain reclassification has been made to the 2021 unaudited condensed consolidated financial statements to conform to the 2022 unaudited condensed consolidated financial statement presentation. These reclassifications had no effect on net loss or cashflows as previously reported.

Cash

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

Inventories

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, defective, and obsolete inventory is recorded if required based on past and expected future sales, potential technological obsolescence, and product expiration requirements. The valuation allowance creates a new cost basis for the inventory, and it is not subsequently marked up through a reduction in the valuation allowance based on any changes in the underlying facts and circumstances. The valuation allowance is only reduced if or when the underlying inventory is sold or destroyed. As of June 30, 2022, and December 31, 2021, inventory was recorded net of a valuation allowance for slow moving inventory of approximately $880,000 and $450,000. See Note 4.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 inventory realization,

cash flow assumptions regarding going concern considerations and valuation allowances on deferred tax assets. Actual results could differ from estimates.

Advances to Contractors

The advances to contractors represent funding to a subcontractor for parts required for epidural instrument manufacturing and repairs. On June 30, 2022, and December 31, 2021, advances to contractors was $41,139 and $34,383, respectively.

Equipment, net

Equipment, net 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. Depreciation expense was approximately $1,000 and $2,000 for the three and six months ended June 30, 2022, respectively. Depreciation expense was approximately $1,200 and $5,000 for the three and six months ended June 30, 2021, 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 assess revenue recognition for its customer 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; 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;
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.

The Company derives its revenues from the sale of its products, primarily medical instruments, handpieces/disposables, and other related products. The Company sells its products primarily through medical facilities and a global distribution network. Revenue from product sales is 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. The Company's only obligation after sale, except for specific contracts and arrangements that provide for customer right to return provisions, 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.

Sales Returns

The Company records allowances for product returns as a reduction of revenue at the time the product sales are recorded. Several factors are considered in determining whether an allowance for product returns is required, including the customers' return rights, the Company's historical experience with returns and the amount of product in the distribution channel not consumed by end users and subject to return.

The Company relies on historical return rates to estimate returns. In the future, if any of these factors and/or the history of product returns change, an adjustment to the allowance for product returns may be required.

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 be 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 shipping point; 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.

Disaggregated Revenue Information

	Three months ended June 30,			
Domestic: US	**2022**		**2021**	
Handpieces	$	18,600	$	-
Grand Total	$	18,600	$	-
International: Rest of World				
Instruments	$	-	$	15,500
Handpieces		20,000		5,500
Grand Total	$	20,000	$	21,000
Total Product Sales	**$**	**38,600**	**$**	**21,000**

	Six months ended June 30,			
Domestic: US	**2022**		**2021**	
Handpieces	$	26,150	$	8,150
Grand Total	$	26,150	$	8,150
International: Rest of World				
Instruments	$	-	$	58,000
Handpieces		20,000		25,900
Grand Total	$	20,000	$	83,900
Total Product Sales	**$**	**46,150**	**$**	**92,050**

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.

The Company and its Parent Company file a federal income tax return on a consolidated basis. State Income Taxes are filed on a separate company tax return. Income taxes are calculated on a separate return basis in accordance with a tax sharing agreement between Milestone Scientific, Inc., and its consolidated affiliates.

Deferred tax assets and liabilities are recognized as temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The Company currently does not recognize certain deferred tax assets because they file a consolidated tax return with Milestone Scientific, Inc., and does not have the legal ability to utilize the deferred tax assets.

On June 30, 2022 and 2021, we had no uncertain tax positions that required recognition in the condensed consolidated 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 2018, 2019 and 2020 years are subject to audit by federal and state jurisdictions. The 2021 tax returns have not yet been filed

Stock-Based Compensation

Share-based payments to employees and third parties for services are recognized in the Statements of Operations over the service period, as an operating expense, based on the grant-date fair values. The Stock-based compensation has been allocated to Milestone Medical for employees and officers of Milestone Scientific, Inc. that have provided services to Milestone Medical and were issued stock options and restricted stock awards of Milestone Scientific, Inc.

Recent Accounting Pronouncements

In June 2016, the FASB issued a new standard ASU No.2016-13, "Financial Instruments – Credit Losses" (Topic 326). The new standard is intended to replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. It will be effective for all smaller reporting entities for fiscal years and interim periods, beginning after December 15, 2022. The Company is analyzing the impact of the adoption of this standard.

In January 2020, FASB issued ASU 2020-01, "Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)", which, generally, provides guidance for investments in entities accounted for under the equity method of accounting. ASU 2020-01 is effective for all entities with fiscal years beginning after December 15, 2021, including interim periods therein. The adoption of this standard did not have a material effect on the Company's condensed consolidated financial statement.

In August 2020, FASB issued ASU 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity", which, generally, provides guidance for accounting regarding derivatives relating to entities common stock and earnings per share. ASU 2020-06 is effective for all entities with fiscal years beginning after December 15, 2021, including interim periods therein. The adoption of this standard did not have a material effect on the Company's condensed consolidated financial statement.

NOTE 4 - INVENTORIES:

Inventories, net consist of the following:

	June 30, 2022	December 31, 2021
Inventories consists of the following:		
Epidural instruments, net reserve	$ 244,007	$ 726,130
Epidural instruments - Trainer	1,626	1,626
Intra-articular instruments, net reserve	-	-
Epidural instruments Disposables	255,548	291,840
Component parts and other materials	102,575	101,202
Component parts and other materials - Trainer	1,214	1,231
Total	$ 604,970	$ 1,122,029

There is a full reserve for all Intra-articular instrument which was approximately $450,000 for the periods ended June 30, 2022, and December 31, 2021. As of June 30, 2022, the Company made a reserve of approximately $430,000, and total reserve of $880,000 for epidural instruments due the slow process of the adoption in the market.

NOTE 5 - 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 increased to $2.5 million. In January 2016, the credit agreement was again increased to $3 million.

The technology underlying the CompuFlo®, and an improvement to the controls for CompuDent® were developed by the Director of Clinical Affairs and assigned to the Parent Company. Milestone Medical purchased a license to this technology pursuant to an agreement dated January 1, 2005. The Director of Clinical Affairs will receive payments of 5% of the total sales of the Company's products until the expiration of the last patent carried by Milestone Scientific, Inc. The Director of Clinical Affairs' royalty fee was approximately $1,900 and $2,300 for the three and six months ended June 30, 2022 respectively. The Director of Clinical Affairs' royalty fee was approximately $600 and $4,300 for the six months ended June 30, 2021 respectively, As of June 30, 2022 and December 31, 2021, the Company owed the Director of Clinical Affairs approximately $1,930, and $1,400, respectively, which is included in accrued expense, related party on the unaudited condensed consolidated balance sheets.

As of June 30, 2022 and December 31, 2021, $2.8 million is outstanding as due to - related party on the accompany condensed consolidated balance sheets. Additionally, as of June 30, 2022 and December 31, 2021, the Company owes accrued interest on the line of credit of approximately $630,000 and $585,000, which is reported as accrued interest payable- related party on the condensed consolidated balance sheets. Interest is payable based on availability of funds. No interest has been paid to the parent Company since the inception of the loan. As of the financial report issuance date, Milestone Scientific, Inc. has not demanded payment of the line of credit.

Also, as of June 30, 2022 and December 31, 2021, the Company owes approximately $20.9 million and $18.5 million, respectively, to Milestone Scientific, Inc. for expenses paid on the Company's behalf. These advances are non-interest bearing and due on demand. As of the financial report issuance date, Milestone Scientific, Inc. has not demanded payment from the Company.

Pursuant to a Succession Agreement dated April 6, 2021 between Mr. Osser and the Company: (i) the Employment Agreement dated as of July 10, 2017 between Mr. Osser and the Company, pursuant to which upon Mr. Osser stepping down as Interim Chief Executive Officer of the Company, the Company agreed to employ him as Consulting Agreement dated as of July 10, 2017 (the "Consulting Agreement") between the Company and U.S. Asian Consulting Group, LLC, a company of which Mr. Osser is a principal, the compensation under the Consulting Agreement is increased by $100,000 to $200,000, equally split between a cash amount and an amount in shares, which shares were formerly payable under the China Operations Agreement. Compensation under the China Operations Agreement and the Consulting Agreement are payable for 9.5 years from May 19, 2021. The Company recorded expense of $50,000 and $100,000 related to the US Asian Consulting Group, LLC for three and six months ended June 30, 2022, respectively. As of June 30, 2022 and December 31, 2021, the Company owed the US Asia Consulting Group, LLC $58,000, and $0, respectively, which is included in accrued expense, related party on the unaudited condensed consolidated balance sheets. The Company recorded expense of $25,000 related to the US Asian Consulting Group, LLC for three and six months ended June 30, 2021, respectively.

NOTE 6 – CONCENTRATIONS AND SUPPLY UNCERTAINTIES:

In addition to our employees, we rely on (a) distributors, agents, and third-party logistics provider in connection with product sales and distribution and (b) raw material and component suppliers in the U.S., Europe, and China. If we, or any of these third-party partners encounter any disruptions to our or their respective operations or facilities, or if we or any of these third-party partners were to shut down for any reason, including by fire, natural disaster, such as a hurricane, tornado or severe storm, power outage, systems failure, labour dispute, pandemic or other public health crises, or other unforeseen disruption, then we or they may be prevented or delayed from effectively operating our or their business, respectively.

In addition, it is uncertain as to what effect the continuing spread of COVID-19 (such as the Delta and Omicron variant) will have on our commercialization efforts of our CompuFlo Epidural and CathCheck system as medical devices. Such future developments could have a material adverse effect on our financial results and our ability to conduct business as expected.

Milestone Medical has informal arrangements with third-party manufacturers of the epidural, and intra-articular devices, pursuant to which they manufacture these products under specific purchase orders but without any long-term contract or minimum purchase commitment. Consequently, advances on contracts have been classified as current June 30, 2022 and December 31, 2021, respectfully.

The termination of the manufacturing relationship with any of these manufacturers could have a material adverse effect on Milestone Scientific'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, because of termination of such a relationship, would have a material adverse effect on Milestone Medical's financial condition, business, and results of operations.

For the three months ended June 30, 2022, an aggregate of approximately 12%, 41%, and 52% of the Company's net product sales were from three hospitals and pain clinics, respectively. For the six months ended June 30, 2022 an aggregate of approximately 35%, and 43% of the Company's net product sales were from two hospitals and pain clinics, respectively. For the three months ended June 30, 2021 an aggregate of approximately 100% of the Company's net product sales were from one hospitals and pain clinics, respectively. For the six months ended June 30, 2021, an aggregate of approximately 16%, 22%, 22%, and 29% of the Company's net product sales were from four hospitals and pain clinics, respectively.

For the six months ended June 30, 2022, we had the three hospital that accounted for 11%, 12%, and 57% amount of accounts receivable, respectively. As of December 31, 2021 we had two distributors that accounted for 78% and 10% of total accounts receivable, respectively.

NOTE 7 – STOCK BASED COMPENSATION:

Stock-based compensation cost is measured at the grant date on the fair value of the award. Generally, compensation expense is recognized over the vesting period. The stock compensation has been allocated to Milestone Medical for officers and employees of Milestone Scientific, Inc. that have provided services to Milestone Medical and were issued stock options and restricted stock awards of Milestone Scientific, Inc.

For the three months ended June 30, 2022 and 2021, the Company allocated stock compensation expense of approximately $4,000 and $65,000, respectively from Milestone Scientific, Inc. For the six months ended June 30, 2022 and 2021, the Company allocated stock compensation expense of approximately $40,000 and 131,000, respectively from Milestone Scientific, Inc. The Company allocated approximately $66,000 of unrecognized compensation cost related to non-vested stock options for the six months ended June 30, 2022, which will be recognized over a weighted average period of 2.5 years.

As of June 30, 2022, there were 80,292 restricted shares granted and deferred under the terms of an employment agreements with the Territory Manager of Milestone Scientific, Inc. Such shares will be issued to each party upon completion of 2 years of employment. For the three and six months ended June 30, 2022, the Company recognized negative stock compensation of approximately $54,000 and $27,000, respectively, due to termination of non-vested employees in the current period. For the three and six months ended June 30, 2021, the Company recognized stock compensation expense of approximately $0 and $21,000, respectively. As of June 30, 2022, the total unrecognized stock compensation expense was $86,458 related to non-vested restricted stock awards, which the Company expects to recognize over an estimated weighted average period of 1.41 years.

NOTE 8 - COMMITMENTS:

Pursuant to a Succession Agreement dated April 6, 2021 between Mr. Osser and the Company: (i) the Employment Agreement dated as of July 10, 2017 between Mr. Osser and the Company, pursuant to which upon Mr. Osser stepping down as Interim Chief Executive Officer of the Company, the Company agreed to employ him as Consulting Agreement dated as of July 10, 2017 (the "Consulting Agreement") between the Company and U.S. Asian Consulting Group, LLC, a company of which Mr. Osser is a principal, the compensation under the Consulting Agreement is increased by $100,000 to $200,000, equally split between a cash amount and an amount in shares, which shares were formerly payable under the China Operations Agreement. Compensation under the China Operations Agreement and the Consulting Agreement are payable for 9.5 years from May 19, 2021. The Company recorded expense of $50,000 and $100,000 related to the US Asian Consulting Group, LLC for three and six months ended June 30, 2022, respectively. As of June 30, 2022 and December 31, 2021, the Company owed the US Asia Consulting Group, LLC $58,000, and $0, respectively, which is included in accrued expense, related party on the unaudited condensed consolidated balance sheets. The Company recorded expense of $25,000 related to the US Asian Consulting Group, LLC for three and six months ended June 30, 2021, respectively.

NOTE 9 – SUBSEQUENT EVENTS:

After June 30, 2022 Milestone Scientific, Inc. has advanced Milestone Medical approximately $102,000 to support the commercialization process for the epidural instrument and other expenses necessary for the day-to-day operations of the Company.

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

Condensed Consolidated quarterly report for the second quarter of 2022 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.

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 pandemic had a significant impact on the labor and delivery departments within hospitals, much more so than other departments for the six months ending June 30, 2022. This was due to the fact that many pregnant women have opted out of the vaccine, resulting in stricter restrictions than other departments. The sales team was unable to enter the operatories, which limited our ability to demo and trial the instruments, resulting in a lower number of the agreements signed with hospitals and pain management clinics regarding the commencement of sales of CompuFlo Epidural instrument and new distributors added.

On January 7, 2022, the Company announced on ESPI/1/2022 that Dr. Harsh Govil, MD, MPH, whose practice is based in Statesville, NC, has begun incorporating the CompuFlo Epidural instrument into his practice for pain management. Dr. Govil plans to utilize the CompuFlo Epidural instrument for office-based procedures to access the epidural space safely and quickly.

On March 29, 2022, the Company announced on ESPI/2/2022 that it has commenced sales of the CompuFlo® Epidural disposables at the Cypress Surgery Center in Santa Maria, California, and the Galileo Surgery Center in San Luis Obispo. Both prominent pain management practices are in California and owned by Pain Management Specialists.

In March 2022, due to information identified during the Corrective Action Preventative Action (CAPA) investigation of the Epidural Disposable Kit, Part # 6100-01, lot HC 51 the scope of the voluntary market withdrawal needed to be expanded to include Part # 6100-03, lot HC 50. A new non-conformance was initiated, and Lot HC 50 was added to the scope of the CAPA initiated above. The investigation via the CAPA identified that there is an issue with the id adaptors used in both lots of HC 51 and HC 50. However, the health hazard evaluation shows that there is no risk to the patient or the user, thus management has determined there are no potential impacts to patients or users. Lots of HC 51 and HC 50 are worth approximately $22,000 and $10,000 respectively. Management has not yet determined what the final disposition of the affected inventory will be after the market withdrawal is completed.

On April 11, 2022, the Company announced on ESPI/3/2022 that it has commenced sales of its CompuFlo Epidural and CathCheck Verification System disposables to a leading northeast medical center in the U.S. This approval follows an extensive trial and evaluation, which validates the safety and efficacy of the technology. As a teaching hospital, the Company's tools provide residents, fellows, and seasoned physicians greater accuracy through real-time verification of epidural needle placement, as well as subsequent monitoring of catheter placement.

On May 27, 2022, the Company announced on ESPI/4/2022 that it has commenced sales of its CompuFlo Epidural instrument disposables at a leading veterinary and academic institution following a successful research study and evaluation. The veterinary institution has initially begun using the CompuFlo Epidural instrument for maxillary nerve block procedures in horses with plans to expand into epidural procedures. The CompuFlo Epidural instrument can provide fellow veterinarians and students greater accuracy through real-time verification of needle location when performing a maxillary nerve block.

On July 6, 2022, the Company announced on ESPI/5/2022 that the American Medical Association (AMA) has issued a new technology-specific Category III code for the Company's CompuFlo Epidural system. The AMA CPT Editorial Panel accepted the Company's request to add a Category III code to report use of a real-time pressure sensing guidance system. The new CPT code goes into effect in the CPT codebook on January 1, 2023.

The specific code was granted after review and validation of the technology by the CPT Editorial Panel at its May 2022 meeting. The CPT codes created and maintained by the AMA CPT Editorial Panel are widely used by government payers, including Medicare and Medicaid, and commercial health plans. The approved Category III CPT code will be in effect for at least five years, at which time the AMA may award a Category I code.

The Board of Directors of the Company believes that receiving a technology-specific CPT code for CompuFlo marks an important milestone, that could increase the potential number of anesthesia pain management clinics adopting the CompuFlo, as the receipt of CPT code expands potential for reimbursement of epidural procedures in pain management utilizing the CompuFlo Epidural System. Aside from the clinical benefits, this code is expected to play an important role in private pain clinics and hospital settings, where administration financial decision making could be made easier thereby helping accelerate the commercial roll-out of CompuFlo in the U.S. The Company is actively preparing a full launch plan in anticipation of this new AMA-cleared CPT code that will be implemented in the first quarter of 2023.

On July 7, 2022, the Company announced on ESPI/6/2022 that following a successful trial and evaluation, it has commenced sales of its CompuFlo Epidural disposables to a leading medical center in Southern California, which has been designated as one of the America's Best Maternity Care Hospitals 2022 by Newsweek. This medical center also belongs to one of the nation's largest not-for-profit healthcare systems serving over 10 million members, with more than 100,000 babies delivered each year across multiple states.

On July 12, 2022, the Company announced on ESPI/7/2022 that it signed an exclusive distribution agreement in Greece for the CompuFlo Epidural System with F&M Feed, a leading provider of medical equipment, devices and consumables. In connection with the agreement, The Company has commenced sales and shipments of its CompuFlo Epidural Instrument and consumables to Greece.
The Board of Directors of the Company believes that Greece is an important market for us with a population in excess of 10 million people and 76 thousand childbirths each year. F&M Feed has a successful track record launching new medical devices and equipment in Greece. The immediate receipt of purchase orders further reinforces our confidence in the market opportunity in this region.

On August 2, 2022, the Company announced on ESPI/9/2022 that has commenced sales of the CompuFlo Epidural system to the University of Scranton in Pennsylvania, USA for incorporation into the Student Registered Nurse Anesthesia (SRNA) program. The mission of the University of Scranton is to educate the students on the latest advancements in medicine to ensure the best patient and provider experience, so they can carry these skills forward into the workplace and throughout their careers.

On August 4, 2022, The Company announced on ESPI/10/2022 that it has re-engaged Clinical Technology, Inc. (CTI), a leading specialty distributor of medical products in the mid-west and east coast regions of the United States, as a domestic distributor for the CompuFlo Epidural System. CTI is a partner bringing a sizable mid-west and east coast sales force, extensive relationships with physicians, pain clinics and hospitals, as well as proven track record of introducing new medical devices.

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 Company remains focused on advancing efforts establishing Milestone’s platform painless and precise drug delivery, providing for the first time objective visual and audible in-tissue pressure feedback, and continuing to expand platform applications. Commercializing our CompuFlo Epidural System, a transformative device for epidural anesthesia procedures

expanding the global footprint of our CompuFlo Epidural System by partnering with distribution companies worldwide.

The Company is witnessing growing interest in CompuFlo® Epidural Instrument and CathCheck™ System among anesthesiologists and hospitals. This interest is due, in part, to more hospitals re-opening their facilities to outside sales representatives, as well as the safety and economic value proposition of our system. Previously, the Company made the strategic decision to await the recovery of the pandemic prior to investing heavily in salesforce expansion, which allowed the Company to preserve capital and extend the cash runway. However, The Company has a direct sales team concentrating on certain territories in the USA.

The feedback from both anesthesiologists and the healthcare institutions has been positive, given the safety and economic benefits of our instruments. The sales initiatives are taking hold and Company is in late-stage discussions with medical institutions and pain management clinics across the country that have the potential to convert to additional commercial orders.

In addition, the recent receipt of chronology-Specific CPT Code for the Company's CompuFlo Epidural System by American Medical Association marks an important milestone, that could increase the potential number of anesthesia pain management clinics adopting the CompuFlo. CPT code expands potential for reimbursement of epidural procedures in pain management utilizing the CompuFlo Epidural System., thereby helping accelerate the commercial roll-out of CompuFlo in the U.S.

At the same time, the Company is continually evaluating additional channels to commercialize its CompuFlo technology, including new medical indications. Most recently, we commenced disposable sales to a leading veterinary and academic institution that will use our CompuFlo Epidural Instrument for maxillary nerve block procedures in horses with plans to expand into epidural procedures. The CompuFlo Epidural instrument can provide fellow veterinarians and students greater accuracy through real-time verification of needle location when performing a maxillary nerve block.

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 medical instrument 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 medical 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:	Place 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
Percentage share of the Issuer in the total number of votes	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.

Jan A. Haverhals
Chief Executive Officer