Consolidated report of

MILESTONE MEDICAL INC. and its SUBSIDIARY

For the Year Ended December 31, 2019

Report include:

1. General information about Milestone Medical, Inc. ("Issuer") and Milestone Medical Poland Sp. Z o.o. (the Subsidiary).
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, March 20, 2020

1. THE LETTER OF THE BOARD OF DIRECTORS AND MANAGEMENT

To Our Valued Shareholders,

We have made significant progress over the past year on the commercial rollout of our CompuFlo® Epidural System. Our primary focus was successfully trialing our CompuFlo Epidural System in multiple hospitals and medical schools, as well as placing the system with leading anesthesiologists in the U.S. and Europe to enable broader deployment of our epidural instrument. At present, we have our first hospitals purchasing our disposables with many more trialing our system. Ospedale “Pugliese Ciaccio” di Catanzaro was the first hospital in Italy to use CompuFlo for all epidurals in labor and delivery following several extensive trials in Italy. There are now two additional hospitals using our CompuFlo® Epidural System in Italy.

More than 2,000 epidural procedures have been performed thus far. It is reported that Dynamic Pressure Sensing technology® can build physician and resident confidence in epidural placement without any reported complications, compared to the traditional loss of resistance technique, which is associated with high medical risk and morbidity. Given the positive response, we look forward to announcing several important commercial developments.

A key step in the commercial rollout of our epidural instrument was the completion of nine clinical studies. Strong clinical data showed a 100% reduction in epidural punctures and complication rates by using the CompuFlo® Epidural System, as seen in the Hidalgo study published in the Open Journal of Anesthesiology, October 2019, in which 600 cases were completed without a single dural puncture.

An element of our commercialization strategy was entering the medical education market with CompuFlo® Epidural Trainer. Three abstracts were presented during scientific poster sessions highlighting how CompuFlo's objective detection of tissue pressure makes challenging procedures with difficult patients more efficient and accelerates clinical competency for trainees.

As we are constantly evolving our CompuFlo® technology, we recently received a Notice of Allowance for a key patent from the U.S. Patent and Trademark Office on our CompuWave technology, which is being integrated into the CompuFlo® Epidural System. CompuWave is a breakthrough technology combining both objective pressure measurements and the detection of a pulsatile pressure waveform to provide not only verification of epidural placement but real-time notification of obstruction or displacement of a catheter. We believe that this technology has other medical applications, and we are planning to incorporate this innovative capability into future medical instruments for other indications as well.

In summary, we have been successful in commencing the first phase of our commercial launch of the CompuFlo Epidural Instrument. We continue to gain traction in the scientific community by educating anesthesiologists on the clinical benefits of the CompuFlo Epidural System and having the results of our trials published in leading industry journals, which aids in driving market awareness and further validation for our technology.

We also would like to provide an update on the impact of the COVID-19 pandemic on the commercial rollout of the CompuFlo® Epidural System in 2020. We are continually monitoring and following the advice of the WHO and national authorities in the U.S. and Europe to reduce the spread of COVID-19. Milestone Medical is doing its part to promote and protect the health of the employees and partners by maintaining safe working environments or remote working. On the supply side, our current inventory level for epidural instruments and handpieces are sufficient to cover immediate needs for at least the next two financial quarters. All of our suppliers continue to manufacture our instrument and we do not anticipate any supply chain disruptions. Our epidural instrument factory in the USA is still producing instruments under our current purchase orders. Our supplier in China is in operation for limited production and we are anticipating our first delivery of handpieces by the end of May 2020.

Going forward, as the social gatherings are currently prohibited, we adjusted our commercial rollout strategy by placing the system with key opinion leaders, leading anesthesiologists in the U.S., and Europe as well as distributors and Group Purchasing Organizations (GPO) utilizing distance communication and training instead of face-to-face meetings and trade shows. Our presentation at the prestigious Euroanaesthesia 2020 Congress in Barcelona was postponed to either 21-24 August or 28-31 August. However, we aware of the potential for lower demand near-term, as the anesthesiologists and hospitals are currently focusing on fighting the COVID-19 pandemic. Nevertheless, we remain confident in the long-term outlook for the business, and the prospects for the CompuFlo Epidural System to become the standard of care in the coming years.

We had a productive year at Milestone Medical and continue to make progress. We would like to thank our shareholders and employees for their continued support of our efforts and look forward to keeping you apprised of developments at Milestone Medical as they unfold.

Sincerely,
Board of Directors
Leonard Osser - Interim Chief Executive Officer

2. STATEMENTS OF THE BOARD OF DIRECTORS AND MANAGEMENT

The management of the Company declare that, the annual consolidated financial statements and comparable data were prepared in accordance with accounting principles generally accepted in the United States of America and presents a true and fair view of the Company and its Subsidiary's financial results and that the report on the Company and its Subsidiary's activities are presented in a fair view of the Company and its Subsidiary's situation, including a description of basic exposures and risks.

As of December 31, 2019, the Company believes that it does not have sufficient cash on hand and liquidity to meet all its anticipated obligations for the next twelve months, which raises substantial doubt regarding the Company's ability to continue as a going concern unless additional financing is achieved. The Company will continue to manage its cash position while taking strategic steps to finalize supportive clinical studies and market the product and to expand its business in the medical business sectors.

On behalf of the Board of Directors and management of the Company:
Leonard Osser – Interim Chief Executive Officer
Joseph D'Agostino – Chief Financial Officer

The Board of Directors and management of Milestone Medical, Inc. and Subsidiary ("the Company") declares that, the authorized entity to audit the financial statements, Friedman LLP, which audited the annual consolidated financial statements, was selected by the Audit Committee effective October 3, 2019 in accordance with legal regulations and that this entity and certified auditors, who audited these financial statements met conditions to express their impartial and independent opinion on the audit, in accordance with standards of the U.S. Public Company Accounting Oversight Board. Friedman LLP's report on the December 31, 2019 consolidated financial statements, included herein, expresses an unqualified opinion and includes explanatory paragraph referring to the substantial doubt regarding the Company's ability to continue as a going concern.

On behalf of the Board of Directors and management of the Company:

Leonard Osser– Interim Chief Executive Officer

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:	jdagostino@milestonescientific.com
Main website address:	www.medicalmilestone.com

Source: The Issuer
**Milestone Medical, Inc. moved its office to Roseland, New Jersey in January 2020.*

3.1. 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.

3.2. Board of Directors

Table 3 Board of Directors

NAME OF DIRECTOR	CURRENT AGE	DIRECTOR SINCE	END OF TERM
Zhu Yun	54	Sep-13	Next Annual Meeting of Shareholders
Martin S. Siegel	75	Sep-14	Next Annual Meeting of Shareholders

** On October 3, 2019 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.*
Source: The Issuer

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

On December 31, 2019 the Issuer employed two (2) full time employees and three (3) persons converted into full-time equivalents ("FTEs"). There is an open position for two (2) additional full time employee: two Medical Device Territory Sales Managers. The Company has contracted with one Business Development Consultant for business activities in Europe and the Middle East in 2018 and 2019. Milestone Medical has two fulltime employees as of December 31, 2019: A President, 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.

In September 30, 2019 the Parent Company engaged a new President. The President is responsible for the growth of the Medical segment (Milestone Medical, Inc.). At about the same time, the Executive VP of Global Marketing and Sales, and the Director of Marketing offered their resignation effective in the middle of October 2019. The resignation dates provided a smooth transition from the departing employees to the new President. The new President is in the process of evaluating the business and marketing operations of Milestone Medical, Inc. and will make the changes required to expedite the sales of the Epidural instrument in the USA and other countries in the world.

4. SELECTED FINANCIAL INFORMATION

4.1. Selected financial data from Balance Sheet

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

31.12.2019: 1EUR = 1.1227 USD 31.12.2018: 1EUR = 1.1455 USD

Table 4 Selected consolidated financial data of the balance sheet of Milestone Medical, Inc. as of December 31, 2019 with comparable consolidated data for year 2018.

Selected consolidated financial data from the balance sheet	USD		EUR	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Total assets	590,727	1,378,208	526,166	1,203,150
Cash	8,773	1,037	7,814	905
Prepaid expenses and other current assets	82,814	31,963	73,763	27,903
Inventory	215,151	234,427	191,637	204,650
Accounts receivable	2,600	-	2,316	-
Advance to contractors	273,149	44,148	243,297	38,541
Equipment, net	8,240	16,633	7,339	14,520
Intangible asset, net	-	1,050,000	-	916,630
Current liabilities	14,505,850	11,798,627	12,920,504	10,299,980
Common stock	2,200	2,200	1,960	1,921
Additional paid-in-capital	6,931,861	6,931,861	6,174,277	6,051,385
Accumulated deficit	(20,849,184)	(17,354,480)	(18,570,575)	(15,150,135)
Stockholder's deficit	(13,915,123)	(10,420,419)	(12,394,338)	(9,096,830)

Source: The Issuer

4.2. Selected consolidated financial data from Statement of Operations

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

01.01.2019 to 31.12.2019: 1EUR = 1.1199 USD 01.01.2018 to 31.12.2018: 1EUR = 1.1815 USD

Table 5 Selected consolidated financial data of the statement of operations of Milestone Medical Inc. from January 1, 2019 to December 31, 2019 with comparable consolidated data for year 2018.

Selected consolidated financial data from Statement of Operations	USD		EUR	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Revenue	37,600	119,800	33,574	101,397
Cost of goods	25,899	269,252	23,126	227,890
Gross profit	11,701	(149,452)	10,448	(126,493)
Depreciation & amortization	308,393	324,493	275,375	274,645
Research and development expenses	189,923	92,489	169,589	78,281
Other expenses	2,913,487	2,344,794	2,601,560	1,984,591
Total operating expenses	3,411,803	2,761,776	3,046,525	2,337,517
Interest expense	94,091	93,401	84,017	79,053
Net loss before income tax	(3,494,193)	(3,004,629)	(3,120,094)	(2,543,063)
Provision (benefit) for income taxes	511	(4,000)	456	(3,386)
Net loss	(3,494,704)	(3,000,629)	(3,120,550)	(2,539,678)

Source: The Issuer

5. AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

Year End (Annual) consolidated financial statements prepared according to the accounting rules applicable to the Company together with information on accounting rules (policy) applied to the preparation of this report

Milestone Medical, Inc. and Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Milestone Medical, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Milestone Medical, Inc. and subsidiary (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, statements of changes in stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has recurring losses and negative cash flows from operations. These conditions, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Friedman LLP

We have served as the Company's auditor since 2016.

East Hanover, New Jersey
March 20, 2020

Milestone Medical, Inc. and Subsidiary
Consolidated Balance Sheets
As of December 31,

	2019	2018
ASSETS		
Cash and cash equivalents	$ 8,773	$ 1,037
Accounts receivable	2,600	-
Inventories, net	215,151	234,427
Advances to contractors	273,149	44,148
Prepaid expenses and other current assets	82,814	31,963
Total current assets	582,487	311,575
Equipment, net	8,240	16,633
Intangible asset, net	-	1,050,000
Total assets	$ 590,727	$ 1,378,208
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable	$ 291,956	$ 113,380
Accrued expenses and other payables	251,868	348,610
Accrued interest due to the parent	402,889	311,890
Advances from Milestone Scientific Inc.	10,759,137	8,224,747
Due to Milestone Scientific, Inc.	2,800,000	2,800,000
Total current liabilities	14,505,850	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 December 31, 2019 and December 31, 2018	2,200	2,200
Additional paid-in capital	6,931,861	6,931,861
Accumulated deficit	(20,849,184)	(17,354,480)
Total stockholders' deficit	(13,915,123)	(10,420,419)
Total liabilities and stockholders' deficit	$ 590,727	$ 1,378,208

See Notes to Consolidated Financial Statements

Milestone Medical, Inc. and Subsidiary
Consolidated Statements of Operations
For the Years Ended December 31,

	2019	2018
Product sales, net	$ 37,600	$ 119,800
Cost of products sold	25,899	269,252
Gross profit	11,701	(149,452)
Selling, general and administrative expenses	2,163,487	2,344,794
Depreciation and amortization	308,393	324,493
Impairment of intangible asset	750,000	-
Research and development expenses	189,923	92,489
Total operating expenses	3,411,803	2,761,776
Loss from operations	(3,400,102)	(2,911,228)
Interest expense	(94,091)	(93,401)
Loss before income tax	(3,494,193)	(3,004,629)
Provision (benefit) for income taxes	511	(4,000)
Net loss	$ (3,494,704)	$ (3,000,629)

See Notes to Consolidated Financial Statements

Milestone Medical, Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Deficit
For the Years Ended December 31, 2019 and 2018

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Total
Balance, January 1, 2018	22,000,000	$ 2,200	$ 6,931,861	$ (14,353,851)	$ (7,419,790)
Net loss	-	-	-	(3,000,629)	(3,000,629)
Balance, December 31, 2018	22,000,000	$ 2,200	$ 6,931,861	$ (17,354,480)	$ (10,420,419)
Net loss	-	-	-	(3,494,704)	(3,494,704)
Balance, December 31, 2019	22,000,000	$ 2,200	$ 6,931,861	$ (20,849,184)	$ (13,915,123)

See Notes to Consolidated Financial Statements

Milestone Medical, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended December 31,

	2019	2018
Cash flows from operating activities:		
Net loss	$ (3,494,704)	$ (3,000,629)
Adjustments to reconcile net cash (used in) operating activities:		
Depreciation and amortization expense	308,393	324,493
Impairment of long-lived assets	750,000	-
Increase in inventories allowance	-	234,350
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(2,600)	-
(Increase) in advance to contracts	(229,001)	-
Decrease in inventories	19,276	31,536
Decrease (Increase) to prepaid expenses and other current assets	(50,851)	25,191
Increase in accrued interest due to the parent	90,999	91,000
Increase in accounts payable and accrued expenses	81,834	180,641
Net cash used in operating activities	(2,526,654)	(2,113,418)
Cash flows from investing activities:		
Purchases of property and equipment	-	(6,497)
Net cash used in investing activities	-	(6,497)
Cash flows from financing activities:		
Related party advances	2,534,390	2,101,680
Net cash provided by investing activities	2,534,390	2,101,680
Net (decrease) increase in cash and cash equivalents	7,736	(18,235)
Cash and cash equivalents at beginning of period	1,037	19,272
Cash and cash equivalents at end of period	$ 8,773	$ 1,037

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For twelve months ended December 31, 2019 and 2018

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 the financial statements, 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.

In December 2016, the Company 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 provided an additional data submission to the FDA in April 2017, in support of a resubmission 510(k) application for the device. The 510(k) original application filed with FDA lapsed in January 2019. Following consultation with the FDA's Office of Device Evaluation, we intend to file a new 510(k) application for the device when the Company secures additional funding.

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 is in the process of attending Medical device trade shows and attending introductory meetings with medical device distributors within the United States, Europe, and other International markets. The Company's focus will be on marketing the Epidural medical and trainer instruments in the United States.

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 after the date that the consolidated financial statements are issued. Milestone Medical, Inc. has incurred significant operating losses since its inception. At December 31, 2019 Milestone Medical Inc. had cash on hand of $8,773 and a negative working capital of approximately $13.9 million. As of December 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.

NOTE 2 - LIQUIDITY AND GOING CONCERN:

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

Additional financing is necessary to fund the commercialization of the Epidural medical and trainer instruments and continue the Intra-Articular regulatory process. To this end, the Company and Milestone Scientific, Inc. (the Parent Company) 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 accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

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 reclassifications have been made to the 2018 financial statements to conform to the consolidated 2019 financial statement presentation. These reclassifications had no effect on net loss or cash flows as previously reported.

Cash and Cash Equivalents

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

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. See Notes 4 and 7.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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 instrument manufacturing and repairs. At December 31, 2019 and 2018 advances to contractors was $273,149 and $44,148, respectively.

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 years ended December 31, 2019 and 2018 was approximately $8,400 and $24,000, 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.

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 customer receipt. The Company has no obligation for any

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

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 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 consolidated statements of operations.

Disaggregated Revenue Information

	Year Ended December 31,	
	2019	2018
Product sales, net		
Domestic		
EPI Devices	$ -	$ 32,500
EPI Devices - Trainer	10,800	-
Handpieces/Disposables - EPI Trainer	2,900	-
Product sales domestic	$ 13,700	$ 32,500
International		
EPI Devices	$ 8,000	$ 81,000
Handpieces/Disposables - EPI	15,500	6,100
Accessories	400	200
Product sales international	$ 23,900	$ 87,300
Total Product sales	**$ 37,600**	**$ 119,800**

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

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 remaining estimated useful life was 5 years, which resulted in amortization expense for the years ended December 31, 2019 and 2018 of $300,000 and $300,000, respectively.

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
- 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.

In the fourth quarter of 2019, the marketing and sales efforts relating to the Epidural instrument have not met the original expectations as forecasted for the year. Based on this analysis, the Company does not expect to realize the carrying value of the asset before the estimated useful life expires. The amount of the impairment charge for the year ended December 31, 2019 was $750,000. There were no impairment charges recorded during the year ended December 31, 2018.

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.

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

At December 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 2016, 2017, and 2018 years are subject to audit by federal and state jurisdictions. See Note 9.

Recent 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 a material effect on its financial position, results of operations and cash flows.

On November 28, 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-13, Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820), which changes the fair value measurement disclosure requirements of ASC 820. This ASU removes certain disclosure requirements regarding the amounts and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of transfers between the levels. This ASU also adds disclosure requirements regarding unrealized gains and losses included in Other Comprehensive Income for recurring Level 3 fair value measurements and the range and weighted average of unobservable inputs used in Level 3 fair value measurements. ASU 2018-13 is effective for all entities with fiscal years beginning after December 15, 2019, including interim periods therein. Early adoption is permitted for any eliminated or modified disclosures upon issuance of ASU 2018-13. The Company does not believe that the ASU will have significant impact on the financial position, results of operations and cash flow.

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 entities for fiscal years and interim periods, beginning after December 15, 2019. The company will adopt this ASU and does not believe that their will be a material effect on the financial position results of operation and cash flow.

In November 2016, the FASB issued a new standard ASU No.2016-18, "Statement of Cash Flows – Restricted Cash" (Topic 230). The new standard provides guidance as to address the diversity of treatment of restricted cash on the statement of cash flows. The adoption of this standard did not have a material effect on its presentation within the statement of cash flows.

NOTE 4 - INVENTORY:

Inventory, net as of December 31, 2019 and 2018 consistent of the following:

	2019	2018
Inventories, net consists of the following:		
Epidural instruments	$ 139,090	$ 188,133
Epidural instruments - Trainer	4,879	-
Component parts for disposables, and other	69,892	46,294
Component parts disposables, and other - Trainer	1,290	-
Total	$ 215,151	$ 234,427

There is a full reserve for all Intra-articular instrument which was approximately $450,000 and $454,000 for the years ended December 31, 2019 and 2018, respectively.

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. All other terms in the line of credit agreement remain unchanged.

NOTE 6 - RELATED PARTY TRANSACTIONS:

As of December 31, 2019, and 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 accompany Consolidated Balance Sheets. Additionally, as of December 31, 2019 and 2018, the Company owes accrued interest on the line of credit of approximately $402,000 and $312,000, which is reported under accrued interest payable, related party on the balance sheet. As of the financial report issuance date, 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 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 $1,800 and $5,600 for the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019, and 2018, the Company owes approximately $10.8 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. As of the financial report issuance date, Milestone Scientific, Inc. has not demanded payment of the advances.

In July 2017, Leonard Osser 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 consulting agreement with Milestone Medical to rejoin Milestone Medical Inc. as Interim Chief Executive Officer and will not receive or earn any compensation under the consulting agreement until he is no longer Interim Chief Executive Officer.

NOTE 7 – CONCENTRATIONS AND SUPPLY UNCERTAINTIES:

The Company has informal arrangements for the manufacture of its products, the epidural, epidural trainer, and intra-articular instruments are manufactured by Tricor Systems, Inc., a United States based Company, pursuant to specific purchase orders.

In August 2019, the company entered a new purchase commitment for the delivery of 100 Epidural instruments beginning in 2020. As of December 31, 2019, we have an open purchase order of $299,000 for 100 Epidural instruments and have advanced $149,500 against this purchase commitment. The company also has advances on an open purchase order for long lead items for a future purchase order for the manufacturing of Epidural instrument in 2021 of $123,649.

NOTE 7 – CONCENTRATIONS AND SUPPLY UNCERTAINTIES:

The Company sub-contracts its research and development to a vendor, which accounted for 92%, and 65% of research and development expenses incurred for twelve months ended December 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. In December 2019, and through the date of financial statement issuance, the outbreak of the Wuhan Coronavirus (COVID-19), and the continuing spread of the illness in China and other parts of the world, has resulted in factories in China to temporarily close and disrupt the supply chain of raw materials. In the event that the outbreak of the Wuhan Coronavirus continues to expand (Pandemic), the possibility of factory quarantines and imposing shipping and travel restrictions, could interfere with our delivery of handpieces and other components required for the production of our medical instruments and disposable kits, and could adversely impact our financial condition and results of operations. See Note 10-Subsequent Events.

The termination or interruption 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 would adversely affect Milestone Medical.

For the twelve months ended December 31, 2019, an aggregate of approximately 93% of net product sales were to three customers/distributors, 41%, 30% and 22% respectively. For the twelve months ended December 31, 2018, an aggregate of approximately 86% of net product sales were to three customers/distributors, 28%, 28% and 30% respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES:

In August 2019, the company entered a new purchase commitment for the delivery of 100 Epidural instruments beginning in 2020. As of December 31, 2019, we have an open purchase order of $299,000 for 100 Epidural instruments and have advanced $149,500 against this purchase commitment. The company also has advances on an open purchase order for long lead items for a future purchase order for the manufacturing of Epidural instrument in 2021 of $123,649.

NOTE 9 - INCOME TAXES:

Milestone Medical, Inc. 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 and its consolidated affiliates. For the years ended December 31, 2019 and 2018, Milestone Medical, Inc. recorded a Federal and State tax provision and benefit of approximately $511.00 and $4,000 respectively.

NOTE 9 - INCOME TAXES:

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 any 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 asset

NOTE 10 – SUBSEQUENT EVENT:

After December 31, 2019 Milestone Scientific Inc., has advanced Milestone Medical approximately $470,000 to support 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.

The coronavirus (COVID-19) that was reported to have surfaced in Wuhan, China in December 2019 and that has now spread to other countries throughout the world could adversely impact our operations or those of our third-party partners. Additionally, the continued spread of the virus could negatively impact the manufacture, supply, distribution and sale of our products and our financial results. The extent to which the coronavirus impacts our operations or those of our third-party partners will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. Any losses or damages we incur could have a material adverse effect on our financial results and our ability to conduct business as expected.

6. REPORT ON MILESTONE MEDICAL INC. AND SUBSIDIARY'S ACTIVITIES IN YEAR 2019

In October 2018, Milestone Medical signed a Distributor Agreement in the USA. This agreement provides that this Distributor will purchase and hold CompuFlo® Epidural instrument and disposables for sale. At this time there have been no minimum purchase established with the Distributor. The Distributor identified above purchased five (5) CompuFlo® Epidural instruments and disposables after executing the Agreement.

For the twelve months ended December 31, 2019 the Issuer and its Subsidiary have generated a net loss of $3,494,704. This loss was due to research and development costs of $189,923, an impairment charge of $750,000, interest expense of $94,091 and to a high level of general and administrative and other expenses, which amounted to $2,472,391.

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.

In April 2019, the Company entered the medical education market with the introduction of the CompuFlo® Epidural Trainer as our instructional instrument that uses pressure sensing technology to improve epidural placement success. The Company has signed an agreement to distribute the CompuFlo Trainer with American 3B Scientific, a leading supplier of didactic material for medical education.

On October 3, 2019 the Annual General Meeting of Shareholders adopted the resolution on the approval and ratification of Friedman LLP as an entity authorized to audit consolidated financial statements of the Company for the fiscal year 2020. Friedman LLP was approved and recommended as independent auditor by the Audit Committee of the Board.

In December 2019, the Issuer also announced on the ESPI 5/2019 that it was partnering with RedOne Medical a leading medical device distributor and wholesaler serving the Department of Veterans Affairs VA medical centers and the Department of Defense DOD hospitals, to distribute the CompuFlo Epidural System. The formal initiation of the partnership has been delayed due to specific government requirements with respect to components originated from, but purchased outside, the People's Republic of China. The Company expects to be able to comply with such requirements soon.

In December 2019 the Company filed on ESPI 6/2019 that it expanded its market for the CompuFlo® Epidural Trainer by signing a non-exclusive global distribution agreement with 3B Scientific GMBH in Germany to distribute the CompuFlo® Trainer worldwide. The initial agreement covered the distribution of CompuFlo® Epidural Trainer in North, Central and select countries in South America serviced by American 3B Scientific.

In December 2019 the company filed ESPI 07/2019 announcing significant progress over the past year, setting the stage for the commercial rollout of the CompuFlo® Epidural System in 2020, which The Issuer believes will be a turning point for the Company. The primary focus was successfully trialing CompuFlo Epidural System in multiple hospitals and medical schools as well as placing the system with leading anesthesiologists in the U.S. and Europe to enable broader deployment of our epidural instrument. At present, we have our first hospitals purchasing our disposables with many more trialing our system. Ospedale "Pugliese Ciaccio" di Catanzaro was the first hospital in Italy to use CompuFlo for all epidurals in labor and delivery following several extensive trials in Italy.

Another key step in the commercial rollout of epidural instrument following the nine completed clinical studies is building the relationships with Group Purchasing Organizations (GPO) to obtain approval of the CompuFlo® Epidural System within their network of hospitals. At the same time, the Company is meeting with insurance carriers to garner their support on making the CompuFlo® Epidural System the preferred technique for epidural injections.
A key element of the commercialization strategy was entering the medical education market with CompuFlo® Epidural Trainer that was successfully unveiled to thousands of anesthesia professionals at the Euroanethesia 2019 Congress on June 1-3 in Vienna.

In January 2020, the company reports on ESPI/4/2020 the receipt of a report by Dr. Olivier Choquet, a recognized international expert on peripheral nerve blocks (PNB) and a consultant to Milestone Scientific, Inc., the majority shareholder and licensor of the Issuer, which concludes that the CompuFlo® with Dynamic Pressure Sensing technology® is the only available device capable of precisely measuring, displaying, warning, controlling and recording needle tip pressure in real time to help reduce the risk of needle injury during PNB procedures.

In January 2020, the Issuer reported on ESPI 2/2020 that Milestone Scientific, Inc. has received a Notice of Allowance for a key patent from the U.S. Patent and Trademark Office on its CompuWave technology, which is being integrated into the CompuFlo® Epidural System. The Issuer is constantly evolving and innovating the technology. This patent represents a significant achievement for the Company since it extends the IP protection around the CompuFlo instrument for another 20 years and provides not only additional confirmation of placement, but also verification during the procedure that the catheter has not been displaced. The Board of Directors of the Issuer believes that this advanced, patented technology further enhances the position of the Company at the forefront of the computerized injection market.

In February 2020 the company reported on ESPI/5/2020 that an abstract, entitled "Confirmation of epidural catheter location by epidural pressure waveform recordings by the CompuFlo® Epidural Instrument (CompuFlo)," has been accepted for presentation at the prestigious Euroanaesthesia 2020 Congress taking place May 30 - June 1, 2020 in Barcelona, Spain. Euroanaesthesia is Europe’s largest annual event showcasing the latest news and innovations in the field of anesthesia, perioperative medicine, intensive care, emergency medicine and pain treatment. This international event gathers upwards of six thousand delegates from around the world. The abstract will be presented during scientific poster sessions highlighting how CompuWave technology integrated with the CompuFlo Epidural System combines both objective in-line pressure measurements and the detection of a pulsatile pressure waveform in a single system.

6.1. Description of basic exposures and risks

The Issuer, in 2019, continued in the process of commercializing the company. However, there are several risk areas that are identifiable:

1. Instrument commercialization delays: the intra articular instruments has passed this risk feature with the instruments finalized by the third-party developer, the Company has not submitted for regulatory clearance in the USA due to lack of funding. Additionally, the Issuer is moving forward in Europe for distribution partners in several countries for the epidural and intra-articular instruments; and the Issuer is moving forward for distribution partners in the USA for Epidural.

2. The instruments will not receive regulatory approval; in the USA for the Intra Articular instrument; the core software included in each instrument has already received approval in the USA (FDA) and in Europe (CE) for a dental instrument. Therefore, management believes that this risk has been significantly mitigated. Additionally, the Company has gained marketing clearance for both instruments (CE) in the European Union during September 2014; and FDA

clearance for the Epidural Instrument in June 2017.

3. The instruments will not attract medical device distributors to sell the instruments; the distributor agreement have been signed in Italy and in the USA in 2018 and other potential distribution outside the USA in the future. Therefore, management believes that this risk has been mitigated.

4. The Issuer may not be able to obtain financing or raise capital to continue in existence; The Issuer is continuing to explore several means of additional loans, a capital raise, or other financing alternatives. In the meantime, Milestone Scientific Inc. is supporting the expenses of the Issuer on a limited basis until alternative financing is available.

In all, the Issuer has identified the business risks as noted above and attempted to mitigate these risks.

6.2. Characteristic of the structure of assets and liabilities of the consolidated balance sheet, also from the perspective of liquidity of the Company and Subsidiary

The value of the Issuer's total assets for the period covered by the consolidated financial information decreased approximately $787,000 in the year ended December 31, 2019 from $1.4 million in the year ended December 31, 2018.

During years 2019 and 2018 the assets' structure changed significantly, a decrease of approximately $787,000. In 2019, the Company charged $750,000 to the consolidated statement of operations, due to an impairment charge for intangible assets, primarily for royalty – free license to use Milestone Scientific's patented CompuFlo Technology. These rights were valued initially at $1.5 million for the remaining 50% ownership interest in the Company (the valuation was made by Tinari Economics Group, an independent valuation company, which certified that the valuation and analysis was completed in accordance with the National Association of Certified Valuators and Analysts Professional Standards).

The cash balance of $8,773 is a critical issue for the Company moving into 2020 and an inventory write down of $234,350 in 2018. As noted earlier in the report, Milestone Scientific Inc. is supporting the expenses of the Issuer on a limited basis until alternate financing is available.

Table 6: The structure of the Company's assets for each of historical financial year (in US Dollars)

	2019	2018
Current Assets	**582,487**	**311,575**
Cash	8,773	1,037
Accounts receivable	2,600	0
Prepaid expenses and other current assets	82,814	31,963
Inventory	215,151	234,427
Advances to contractors	273,149	44,148
Equipment, net	8,240	16,633
Intangible assets, net	-	1,050,000
TOTAL ASSETS	**590,727**	**1,378,208**

Source: The Issuer

During 2019, the main source of the Issuer's financing was borrowing from Milestone Scientific, Inc. The Issuer intends to slow its' cost structure until the next capital raise, or until alternative financing is available. In years ended December 31, 2019 and 2018, the Issuer had no long-term debt or any other long-term liabilities. The Company had current liabilities (accounts payable, accrued expenses, line of credit and advances for Milestone Scientific, Inc.) in the amount of approximately $14.5 million in

year ended December 31, 2019 and approximately $11.8 million in the year ended December 31, 2018. The substantial increase in current liabilities of approximately $2.7 million, is due to loss from operations in 2019, financed by the parent company, Milestone Scientific, Inc. Below the Company presents the structure of the Company's liabilities and stockholders' equity.

Table 7: The structure of the Company's liabilities (in US Dollars)

	2019	2018
Current Liabilities	**14,505,850**	**11,798,627**
Accounts payable and accrued expenses	543,824	461,990
Accrued interest due to the parent	402,889	311,890
Payable to Milestone Scientific, Inc.	13,559,137	11,024,747
TOTAL LIABILITIES	**14,505,850**	**11,798,627**

Source: The Issuer

The $14,505,850, and $11,798,627 at December 31, 2019 and 2018 includes $2.8 million of advances on a line of credit established by Milestone Scientific Inc in both years, and approximately $11.2 million and $8.6 million for 2019 and 2018, respectively, of other advances before and after to the line of credit was established.

Table 8: The structure of the Company's stockholders' equity on basis of historical financial information (in US Dollars)

	2019	2018
Common stock, par value $.0001; authorized 50,000,000 shares; 22,000,000 shares issued and outstanding at December 31, 2019 and December 31, 2018	2,200	2,200
Additional paid in capital	6,931,861	6,931,861
Accumulated deficyt	(20,849,184)	(17,354,480)
TOTAL SHAREHOLDERS' DEFICIT	**(13,915,123)**	**(10,420,419)**

Source: The Issuer

Liquidity analysis

All liquidity ratios decreased in the year ended December 31, 2019 compared to the year ended December 31, 2018. As of December 31, 2019, the Issuer had higher levels of total current liabilities and a low amount of cash, resulting in a lower liquidity ratio. The reduction in the liquidity ratios in 2019 was primarily caused by a significant increase in total current liabilities (approximately $14,505,850 in 2019 from approximately $11,798,627 in 2018) due to an increase in research and development costs, marketing expenses and trade show.

As of December 31, 2019, Milestone Medical, Inc. believes that it 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 and throughout the world. Although the Company's CompuFlo Epidural instrument progressed beyond the development stage, additional equity financing is necessary to fund the commercialization of the medical instruments. To this end, the Company and Milestone Scientific, Inc., the Parent Company, are currently 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.

Table 9: Basic liquidity ratios of the Company

	2019	2018
Current ratio (CR)	0.04	0.03
Quick ratio (QR)	0.00	0.00
Cash ratio	0.00	0.00

Source: The Issuer

The algorithm of above ratios' calculation was:

Current ratio (CR)	=	Total current assets/Total current liabilities
Quick ratio (QR)	=	(Total current assets – Inventory-Prepaid expenses and other current assets)/Total current liabilities
Cash ratio	=	Cash and cash equivalents/Total current liabilities

6.3. Major circumstances or events that significantly affect the activities and financial results of the Company's group during the financial year, or that may affect them in the coming year.

Although the CompuFlo Epidural instrument obtained FDA clearance in the United States (June 2017), the development costs is expected to increase for specific instrument enhancements during 2020. These enhancements do not require a new 510(k). The FDA clearance provided the Company with the opportunity to establish distribution in the USA. At the same time, the Company and its parent are looking to establish additional financing opportunity for the Epidural instrument sales.

The intra-articular instrument will begin the 510(k) application process during 2020, provided funds are available. Most of the cost associated with this application will be internal personnel cost but some third party follow up and review expenses are expected to increase.

6.4. Description of the structure of main equity deposits or main capital investments made within the Company's group during the financial year.

The Issuer has expensed approximately $189,923 in research and development for the two instruments in 2019, an increase of approximately $97,000 over 2018. The increase was due to specific instrument enhancements. With the CE clearance to market both instruments in the European Union ("EU") beginning September 2014, our investment in both instruments was realized in a limited number of instrument sales in 2019 and 2018. The Issuer plans to expand its marketing efforts including attending medical device trade conferences in the USA (major focus) and CE authorized countries in Europe and the Middle East in 2020.

In October 2018, Milestone Medical signed a Distributor Agreement in the USA. This agreement provides that this Distributor will purchase and hold an inventory of the CompuFlo® Epidural instrument and disposables for sale. At this time there have been no minimum purchase established with the Distributor. The Distributor identified in the previous sentence purchased five (5) CompuFlo® Epidural instruments and disposables after executing the Agreement.

6.5. Description of organization of the Company's group and indication of unites being consolidated as well as description of organizational changes in the Company's group.

Up to the date of this report completion, the Company does have a special purpose subsidiary, the purpose of which 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 Company presents some basic information about its subsidiary:

Table 10: General information about subsidiary of the Company

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

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.

6.6. Description of the development policy of the Company's group.

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.

As announced in the previous year, the Issuer cancelled plans to up list from NewConnect Market (Alternative Trading System) to the Main Market of the Warsaw Stock Exchange, in the fourth quarter of 2015.

On June 12, 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 Company has received a follow up response from the FDA, based on supplemental information provided in 2017.

The Company intends to resubmit an application for a 510(k), for the Compu-Flo Intra Articular instrument and include focused attention on the area that the FDA indicated shortfalls in the original application. The new 510(k) applications for the Compu-Flo Intra Articular instrument will be processed in 2020, if funds are available.

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.

In January 2020, the company reports on ESPI/4/2020 the receipt of a report by Dr. Olivier Choquet, a recognized international expert on peripheral nerve blocks (PNB) and a consultant to Milestone Scientific, Inc., the majority shareholder and licensor of the Issuer, which concludes that the CompuFlo® with Dynamic Pressure Sensing technology® is the only available device capable of precisely measuring, displaying, warning, controlling and recording needle tip pressure in real time to help reduce the risk of needle injury during PNB procedures.

Moreover, in relation to PNB instrument, in February 2020, the Company announced on ESPI 6/2020 that Milestone Scientific, Inc. has received Notice of Allowance from the European Patent Office (EPO) covering its instrument for performing a peripheral nerve block (PNB).This patent award follows a similar patent in United States, and further expands the worldwide intellectual property. This instrument is designed to significantly improve safety, efficiency and efficacy of PNB procedures The Board of Directors of the Company believes that PNBs represent an attractive market for the CompuFlo® technology, as PNBs are increasingly utilized in the treatment of trauma and surgical procedures, including orthopedic surgeries as well as for postoperative and nonsurgical analgesia.

In January 2020, the Issuer reported on ESPI 2/2020 that Milestone Scientific, Inc. has received a Notice of Allowance for a key patent from the U.S. Patent and Trademark Office on its CompuWave technology, which is being integrated into the CompuFlo® Epidural System. The Issuer is constantly evolving and innovating the technology. This patent represents a significant achievement for the Company since it extends the IP protection around the CompuFlo instrument for another 20 years and provides not only additional confirmation of placement, but also verification during the procedure that the catheter has not been displaced. The Board of Directors of the Issuer believes that this advanced, patented technology further enhances the position of the Company at the forefront of the computerized injection market.

In February 2020 the company reported on ESPI/5/2020 that an abstract, entitled "Confirmation of epidural catheter location by epidural pressure waveform recordings by the CompuFlo® Epidural Instrument (CompuFlo)," has been accepted for presentation at the prestigious Euroanaesthesia 2020 Congress taking place May 30 - June 1, 2020 in Barcelona, Spain. Euroanaesthesia is Europe’s largest annual event showcasing the latest news and innovations in the field of anaesthesia, perioperative medicine, intensive care, emergency medicine and pain treatment. This international event gathers upwards of six thousand delegates from around the world. The abstract will be presented during scientific poster sessions highlighting how CompuWave technology integrated with the CompuFlo Epidural System combines both objective in-line pressure measurements and the detection of a pulsatile pressure waveform in a single system. However due to the continual spread of COVID-19 The Issuer’s presentation at the prestigious Euroanaesthesia 2020 Congress in Barcelona was postponed to either 21-24 August or 28-31 August 2020.

Moreover, also in February 2020, the Issuer reported on ESPI 7/2020 that new pre-assembled disposable kit for the CompuFlo® Epidural System has received CE Mark approval in Europe through the Company’s supplier. The Board of Directors of the Issuer believes that this CE Mark approval overcomes an important hurdle to commercialization in Europe. Based on market feedback, it was evident that anesthesiologists using the epidural instrument preferred to have the disposable kit pre-assembled before packaging to save valuable minutes in the operatory.

The Board of Directors of the Company also announced with its ESPI 3/2020 report in January 2020 that Milestone Scientific Inc. received the Notice of Allowance from the United States Patent and Trademark Office (USPTO) for a U.S. patent regarding a new application for its technology in which claims were allowed for a Computer Controlled Drug Infusion Device for cosmetic use. The allowed claims relate to a novel cosmetic injection instrument for the delivery of botulinum toxin, such as Botox® and Dysport®. With this patent in hand, The Board of Directors of the Company looks forward to advancing the commercial roll-out of the cosmetic injection instrument in the U.S., which has the potential to significantly impact the safety and administration of botulinum toxin. The market

opportunity for the cosmetic instrument includes over 8.4 million botulinum toxin injections delivered annually in the U.S. alone.

The Company also announced on ESPI 9/2020 filed on March 20, 2020 the impact of the COVID-19 pandemic on the commercial rollout of the CompuFlo® Epidural System and Issuer's financial results in 2020. The Company is doing its part to promote and protect the health of the employees and partners by maintaining safe working environments or remote working. On the supply side, the current inventory level for epidural instruments and handpieces are sufficient to cover immediate needs for at least the next two financial quarters. All of the suppliers continue to manufacture the instrument and the Company does not anticipate any supply chain disruptions. Going forward, as the social gatherings are currently prohibited, the Company adjusted its commercial rollout strategy by placing the system with key opinion leaders, leading anesthesiologists in the U.S., and Europe as well as distributors and Group Purchasing Organizations (GPO) utilizing distance communication and training instead of face-to-face meetings and trade shows. However, the Company is aware of the potential for lower demand near-term, as the anesthesiologists and hospitals are currently focusing on fighting the COVID-19 pandemic. Nevertheless, the Company remains confident in the long-term outlook for the business, and the prospects for the CompuFlo Epidural System to become the standard of care in the coming years. At the moment, it is difficult to predict the magnitude, duration and precise impact of the COVID-19 outbreak on Issuer’s financial results in 2020.

6.7. Description of material off-balance sheet items in terms of the entity, subject and value.

There are no off - balance sheet investment or liabilities for Milestone Medical, Inc.

6.8 Remuneration to Directors and Officers

The Issuer does not pay any remuneration to the directors for their service provided. The Chief Executive Officer was paid approximately $95,000 and Chief Financial Officer was paid approximately $35,000 in 2019. The Officers of the Company were paid through charges amounting to; Chief Executive Officer $94,000 and Chief Financial Officer $35,000 in 2018.

7. REPORT WITH THE OPINION ON AUDIT OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors and
Stockholders of Milestone Medical, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Milestone Medical, Inc. and subsidiary (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, statements of changes in stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has recurring losses and negative cash flows from operations. These conditions, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Friedman LLP

We have served as the Company's auditor since 2016.

East Hanover, New Jersey
March 20, 2020

8. APPLICATION OF CORPORATE GOVERNANCE RULES

According to the paragraph 6.3 of the Exhibit 3 to the Alternative Trading System Rules "Current and Periodical Information in the Alternative Trading System on the NewConnect Market", Board of Directors of Milestone Medical include its statement on compliance with "Best Practices of Companies Listed on the NewConnect" contained in Annex 1 of Resolution No. 795/2008 of the Management Board of the Stock Exchange in Warsaw SA of 31 October 2008 and its subsequent amendments in whole year 2019.

Statement of Milestone Medical Inc. ("the Company") on Compliance by the Company with "Best Practices of Companies Listed on the NewConnect" Contained in Annex 1 of Resolution No. 795/2008 of the Management Board of the Stock Exchange in Warsaw SA of 31 October 2008 and its subsequent amendments.

No	RULE	YES/NO/ NOT APPLICABLE	COMMENTS
1.	The Company should pursue a transparent and effective information policy, using both traditional methods and modern technologies, Ensuring fast, secure and convenient access to information. The Company using the fullest extent of these methods should ensure adequate communication with investors and analysts, line broadcasts of General Meetings over the Internet, record meetings and publish it on a website.	YES	The Issuer shall apply this practice with an exception of broadcast and publication of General Meetings over the Internet, since in the opinion of the Company's use of this practice will not bring benefits compared to the projected costs of such proceedings.
2.	The Company should ensure effective access to information necessary to assess the company's situation and outlook as well as its operations.	YES	
3.	The Company should maintain a corporate website and publish:		
	3.1 Basic information about the Company and its business (home page);	YES	
	3.2. Description of the Issuer's business including indication of the Issuer's business segment generating the highest revenue;	YES	The Company has only one business segment generating revenue.
	3.3 Description of the issuer's market including indication of the Issuer's market position;	YES	The Issuer applies this practice with an exception of indication of the Company's market position.
	3.4 Professional CVs of the members of the company's governing bodies;	YES	
	3.5. Information known to the Management Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the Company's General Meeting;	NOT APPLICABLE	The Company has no Supervisory Board, all important relations between the Issuer and members of the Issuer's Board of Directors and Executive Officers and the Company's significant shareholders are indicated in the Issuer's Prospectus in Chapter B.5, B.6, 17.2, 18.3 and 19
	3.6 Corporate documents of the Company;	NO	During 2019, the Company didn't place such documents

	3.7. Outline of the Company's strategic plans;	YES	Strategic plans of the Company were placed in Chapter 6.1.2 of Prospectus available in the Investor Relations section of the Issuer's website
	3.8. Published financial forecasts for the current financial year including their assumptions and adjustments of such targets (if targets are published by the Issuer);	NO	The Issuer did not publish financial forecasts. When the Company decides to publish financial forecasts, it will apply this practice.
	3.9. The issuer's shareholding structure including indication of the main shareholders and free-float shares;	YES	
	3.10 Personal and contact data for the Company's officer responsible for investor relations and media contacts;	YES	
	3.11. [deleted]	-	
	3.12. Published current and periodic reports;	YES	
	3.13. Dates of planned publication of periodic financial reports, General Meetings, meetings with investors and analysts and press conferences;	YES	
	3.14. Information on corporate events such as payment of the dividend, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations. Such information should be published within a timeframe enabling investors to make investment decisions;	NOT APPLICABLE	In future, the Company will disclose if applicable
	3.15. [deleted]	-	
	3.16. Shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions;	NOT APPLICABLE	Yes, if will be applicable
	3.17. Information about the reasons for cancellation of a General Meeting, change of its date or agenda together with grounds;	NOT APPLICABLE	Yes, if will be applicable
	3.18. Information about breaks in a General Meeting and the grounds of those breaks;	NOT APPLICABLE	Yes, if will be applicable
	3.19. Information about the entity which signed an Authorized Adviser Service Agreement with the Company, including the name, the website address, telephone numbers and e-mail addresses of the Adviser;	YES	
	3.20. Information about the entity acting as animator of the Issuer's shares;	YES	
	3.21. Information document (issue prospectus) of the Company published within the last 12 months;	YES	

	3.22 Information presented on the website should be provided in a way enabling easy access to such information. The Issuer should update information presented on the website. If new significant information is available or information presented on the website changes significantly, it should be updated immediately.	YES	The Company has sometimes delayed in immediate actualization of its corporate website, but the Issuer is making great efforts to make such actualization on timely basis.
4.	The Company should publish its corporate website in Polish or in English, at the Issuer's discretion. Current and periodic reports should be published on the website in the same language in which they are published according to regulations applicable to the Issuer.	YES	
5.	The Company should pursue an information policy with an emphasis on the needs of individual investors. For this purpose, in addition to its corporate website, the Company should use its individual investor relations section on the website www.infostrefa.com	NO	The Company does not use its individual investor relations section on the website www.infostrefa.com. The Issuer pursues an information policy on Investor Relations section of its corporate website.
6.	The Issuer should maintain ongoing contacts with representatives of the Authorized Adviser to enable it to properly perform its obligations towards the issuer. The Company should appoint a person responsible for contacts with the Authorized Adviser.	YES	
7.	If an event occurs in the Company which, in the opinion of the Issuer, has material significance to the performance of obligations by the Authorized Adviser, the Issuer should immediately inform the Authorized Adviser thereof.	YES	
8.	The Issuer should give the Authorized Adviser access to all documents and information necessary to perform the obligations of an Authorized Adviser. In the annual report the Issuer should publish:	YES	
9.	9.1. information about the total amount of remuneration of all members of the Management Board and the Supervisory Board	YES	The Issuer applies this practice with an exception of Supervisory Board since the Company does not have a Supervisory Board.
	9.2. Information about the fee paid by the Issuer to the Authorized Advisor in respect of all services provided to the Issuer.	NO	The remuneration is regulated by an Agreement with Authorized Adviser and is confidential information. The Issuer cannot publish such data without Authorized Adviser permission.
10.	A General Meeting should be attended by members of the Management Board and the Supervisory Board who can answer questions asked at the General Meeting.	YES	The Issuer applies this practice with an exception of Supervisory Board since the Company does not have a Supervisory Board.
11.	The Issuer in cooperation with the Authorized Adviser should organize meetings with investors, analysts and the media open to the public at least 2 times per year.	NO	The Issuer is owed approximately 98.3% by a Parent Company

12.	A resolution of the General Meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism setting it or obligate the competent body to set it before the date of subscription rights within a timeframe enabling an investment decision.	NOT APPLICABLE	Yes, if will be applicable
13.	Resolutions of the General Meeting should allow for a sufficient period between decisions causing specific corporate events and the date of setting the rights of shareholders pursuant to such events.	NOT APPLICABLE	Yes, if will be applicable
13a.	If the Management Board of the Issuer is notified by a shareholder who holds at least a half of the share capital or at least a half of all votes in the Company that the Issuer has convened an extraordinary General Meeting pursuant to Article 399 § 3 of the Code of Commercial Partnership and Companies, the Management Board of the Issuer shall immediately be organizing and conducting a General Meeting. This principle shall also Apply where the registration court authorizes shareholders to convene an extraordinary General Meeting pursuant to Article 400 § 3 of the Code of Commercial Partnership and Companies.	NOT APPLICABLE	Provisions of the Commercial Code do not apply to the Issuer.
14.	The date of setting the right to dividend and the date of dividend payment should be set so to ensure the shortest possible period between them, in each case not longer than 15 business days. A longer period between these dates requires detailed grounds.	NOT APPLICABLE	Yes, if will be applicable
15.	A resolution of the General Meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfillment must take place before the date of setting the right to dividend.	NOT APPLICABLE	Yes, if will be applicable
16.	The Issuer should publish monthly reports within 14 days after the end of each month. Monthly reports should include at least the following: • environment which, in the opinion of the Issuer, could in future have significant effects to the financial standing and the financial results of the Issuer. • list of all information published by the Issuer in the form of current reports in the reporting period. • information about achievement of the goals of an issue if they were achieved at least partly in the reporting period. • dates important to investors including events planned in the coming month concerning the Issuer and important from the perspective of investor rights, including dates of publication of periodic reports, planned General Meetings, opening of subscriptions, meetings with investors or analysts and expected dates of publication of analytical	NO	Now, this principle is not applied by the Issuer. Since the report published current and periodic provide shareholders and investors with access to a complete and sufficient information giving a complete picture of the situation, the Management Board of the Issuer does not see the need now of publication of monthly reports.
16a	If the Issuer is in breach of the reporting obligation set out in Exhibit 3 to the Alternative Trading System Rules ("Current and Periodical Information in Alternative Trading System on the NewConnect Market"), the Issuer shall immediately publish information explaining the situation pursuant to the procedure applicable to providing current reports on the NewConnect market.	YES	

Leonard Osser
Interim Chief Executive Officer

Joseph D'Agostino
Chief Financial Officer