Condensed Consolidated report of

MILESTONE MEDICAL, INC. and its SUBSIDIARY

1st quarter (from January 1, 2020 to March 31, 2020)

Report include:

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

New Jersey, May 15, 2020

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.*

1.1. Shareholding structure

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

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

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

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

1.2. Board of Directors

Table 3 Board of Directors

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

** On 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

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

On March 31, 2020, the Issuer employed four (4) full time employees and three (3) persons converted into full-time equivalents ("FTEs"). The Company has contracted with one Business Development Consultant for business activities in Europe and the Middle East in 2019 and 2020. Milestone Medical has four fulltime employees as of March 31, 2020: A President, and a Vice President of USA Sales, and two Medical Device Territory Sales Managers. These four employees will promote direct market support for Milestone Medical and assist on moving the medical business forward.

In September of 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.

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

Milestone Medical, Inc. and Subsidiary

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of and for three months ended March 31, 2020 and 2019 (unaudited)
For the Year Ended December 31, 2019 (audited)

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Milestone Medical, Inc. And Subsidiary
Condensed Consolidated Balance Sheets

	March 31, 2020 (unaudited)	December 31, 2019 (audited)
ASSETS		
Cash and cash equivalents	$ 3,746	$ 8,773
Accounts receivable	3,920	2,600
Inventories, net	222,249	215,151
Advances to contractors	271,449	273,149
Prepaid expenses and other current assets	73,067	82,814
Total current assets	574,431	582,487
Equipment, net	7,900	8,240
Total assets	$ 582,331	$ 590,727
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable	$ 176,707	$ 291,956
Accrued expenses and other payables	298,627	251,868
Accrued interest due to the parent	425,576	402,889
Advances from Milestone Scientific, Inc.	11,489,517	10,759,137
Due to Milestone Scientific, Inc.	2,800,000	2,800,000
Total current liabilities	15,190,427	14,505,850
Commitments and contingencies		
Stockholders' deficit		
Common stock, par value $.0001; authorized 50,000,000 shares; 22,000,000 shares issued and outstanding on March 31, 2020 and December 31, 2019	2,200	2,200
Additional paid-in capital	6,931,861	6,931,861
Accumulated deficit	(21,542,157)	(20,849,184)
Total stockholders' deficit	(14,608,096)	(13,915,123)
Total liabilities and stockholders' deficit	$ 582,331	$ 590,727

See Notes to Condensed Consolidated Financial Statements

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

	Three Months ended March 31, 2020	Three Months ended March 31, 2019
Product sales, net	$ 7,800	$ 400
Cost of products sold	3,509	27
Gross profit	4,291	373
Selling, general and administrative expenses	565,990	561,406
Research and development expenses	107,480	5,650
Total operating expenses	673,470	567,056
Loss from operations	(669,179)	(566,683)
Interest expense	(23,794)	(23,141)
Loss before income tax	(692,973)	(589,824)
Provision (benefit) for income taxes	-	-
Net loss	$ (692,973)	$ (589,824)

See Notes to Condensed Consolidated Financial Statements

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

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Total
Balance, January 1, 2020	22,000,000	$ 2,200	$ 6,931,861	$ (20,849,184)	$ (13,915,123)
Net loss				(692,973)	(692,973)
Balance, March 31, 2020	22,000,000	$ 2,200	$ 6,931,861	$ (21,542,157)	$ (14,608,096)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Total
Balance, January 1,2019	22,000,000	$ 2,200	$ 6,931,861	$ (17,354,480)	$ (10,240,419)
Net loss				(589,824)	(589,824)
Balance, March 31, 2019	22,000,000	$ 2,200	$ 6,931,861	$ (17,944,304)	$ (11,010,243)

See Notes to Condensed Consolidated Financial Statements

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

	Three Months ended March 31, 2020	Three Months ended March 31, 2019
Cash flows from operating activities:		
Net loss	$ (692,973)	$ (589,824)
Adjustments to reconcile net cash (used in) operating activities:		
Depreciation and amortization expense	3,712	77,597
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(1,320)	(400)
Decrease in advance to contracts	1,700	-
(Increase) decrease in inventories	(7,098)	2,649
Decrease (increase) to prepaid expenses and other current assets	9,747	(35,651)
Increase in accrued interest due to the parent	22,687	22,687
Decrease in accounts payable and accrued expenses	(68,490)	(75,249)
Net cash used in operating activities	(732,035)	(598,191)
Cash flows from investing activities:		
Purchases of property and equipment	(3,372)	-
Net cash used in investing activities	(3,372)	-
Cash flows from financing activities:		
Related party advances	730,380	604,772
Net cash provided by financing activities	730,380	604,772
Net (decrease) increase in cash and cash equivalents	(5,027)	6,581
Cash and cash equivalents at beginning of period	8,773	1,037
Cash and cash equivalents at end of period	$ 3,746	$ 7,618

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 and is inactive .

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 at the appropriate amounts.

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.

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. In the first quarter of 2020, the effects of the COVID-19 have dramatically reduced our direct marketing capabilities at Hospitals and Medical Centers in the USA and worldwide. Generally, all medical institutions have curtailed introduction of new instruments and procedures. Our marketing staff continue to make telephone contact with possible clients, but until the USA and State Governments relax the regulations and the restrictions currently in place are eased, direct marketing is at a standstill, and the ability to enter into contracts and generate potential revenues will continue to be a challenge.

The extent to which the coronavirus impacts our operations or those of our third-party partners will depend on future developments, which are still highly uncertain and cannot be predicted with confidence. The continued spread of the virus could negatively impact the manufacture, supply, distribution and sale of our products and our financial results.

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 condensed consolidated financial statements are issued. Milestone Medical, Inc. has incurred significant operating losses since its inception. On March 31, 2020, and December 31, 2019 Milestone Medical, Inc. had cash on hand of $3,746 and $8,773 and a negative working capital of approximately $14.6 million and $13.9 million, respectively. As of March 31, 2020, Milestone Medical, Inc. does not have sufficient cash to meet all its anticipated obligations for the next twelve months from the financial statement release date. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Milestone Medical, Inc. will continue to manage its cash position while taking strategic steps to commercialize the Epidural instrument in the USA 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) continue to pursue additional financings. The Company announced on April 14, 2020 in ESPI/11/2020 that Milestone Scientific, Inc. closed its previously announced underwritten offering of 4,750,000 shares of its common stock together with warrants. Each share of common stock was sold together with a warrant to purchase 0.50 of one share of common stock at a combined price to the public of $0.95. Gross proceeds including overallotment shares but before underwriting discounts, commissions and estimated offering expenses, were approximately $4.7 million.

Milestone Scientific, Inc intends to advance additional funds from this offering to the Company for manufacturing, marketing, sales and distribution of its CompuFlo® Epidural System and development of new products and new product uses. However, Milestone Scientific, Inc. is under no obligation to advance any or all of such funds and may be required to utilize some or all of the funds to support the consolidated company's working capital requirements and for general corporate purposes. If Milestone Scientific, Inc. is unable to advance appropriate amounts and Milestone Medical, Inc. is unable to obtain other sources of funding in adequate amounts 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 condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting of normal recurring entries) necessary to fairly present such interim results. Interim results are not necessarily indicative of the results of operations which may be expected for a full year or any subsequent period. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2019, included in Milestone Medical's Annual Report.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Consolidation

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

Cash and Cash Equivalents

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

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.

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. On March 31, 2020, and December 31, 2019 advances to the contractor were $271,449 and $273,149, respectively.

Furniture, Fixture and Equipment

Furniture, fixtures and equipment are recorded at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, which range from two to seven years. The depreciation expense for the three months ended March 31, 2020 and 2019 was approximately $3,700 and $2,600, 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:

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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 installation, set-up or maintenance, these being the responsibility of the buyer. Milestone Medical's only obligation after sale is the normal commercial warranty against manufacturing defects if the alleged defective unit is returned within the warranty period. We generally do not accept non-defective returns from our customers. Product returns under warranty are accepted, evaluated and repaired or replaced in accordance with the Company’s warranty policy. Returns not within the warranty policy are evaluated and the customer is charged for repair.

Financing and Payment

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

Costs to Obtain or Fulfill a Customer Contract

Sales commissions are expensed when incurred because the amortization period would have been one year or less. These costs are recorded in selling, general and administrative expense in the condensed consolidated statements of operations.

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Disaggregated Revenue Information

	Three Months Ended March 31, 2020	2019
Product sales, net		
International		
EPI Devices	$ 7,600	$ -
Handpieces/Disposables - EPI	200	400
Accessories	-	-
Product sales international	$ 7,800	$ 400
Total Product sales	**$ 7,800**	**$ 400**

There were no domestic revenues generated from the sale of EPI Devices, Handpieces/Disposables or related accessories in the three months ended March 31, 2020 and 2019, respectively.

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 over its estimated useful life of 5 years. In the fourth quarter of 2019, the marketing and sales efforts relating to the Epidural instrument had not met the expectations as forecasted for the year. Based on forecasts, the Company did not expect to realize the carrying value of the asset before the estimated useful life expired and as a result the Company recorded an impairment charge for the then net book value of the asset during 2019.

During the three months ending March 31, 2020 and 2019 amortization expense was $- and $75,000, respectively.

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.

On March 31, 2020, and 2019, no significant income tax uncertainties have been included in the Company's condensed consolidated financial statements. The Company's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the statement of operations. Tax returns for 2016, 2017, and 2018 years are subject to audit by federal and state jurisdictions.

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

Recent Accounting Pronouncements

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. Our adoption of ASU 2018-13, on January 1, 2020, did not have a material impact on our condensed consolidated financial statements.

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, 2022. We are currently evaluating the impact of adopting this guidance on our consolidated balance sheet, results of operation and financial condition.

NOTE 4 - INVENTORY:

Inventory as of March 31, 2020 and December 31, 2019 consisted of the following:

	March 31, 2020	December 31, 2019
Inventories consist of the following:		
Epidural instruments	$ 134,481	$ 139,090
Epidural instruments - Trainer	1,626	$ 4,879
Intra-articular instruments, net reserve	-	-
Component parts and other materials	84,892	69,892
Component parts and other materials - Trainer	1,250	1,290
Total	$ 222,249	$ 215,151

The reserve against Intra-articular instrument was approximately $450,000 as of March 31, 2020 and December 31, 2019, respectively.

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.

NOTE 5 - JOINT VENTURE AGREEMENT:

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 was again increased to $3 million.

The technology underlying the CompuFlo®, and an improvement to the controls for CompuDent® were developed by the Director of Clinical Affairs and assigned to 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 $400 for the three months ended March 31, 2020 and there were no royalty fees the three months ended March 31, 2019.

As of March 31, 2020, and December 31, 2019, the Company owes approximately $11.5 million and $10.8 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.

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.

The Company sub-contracts its research and development to a vendor, which accounted for 100% and 68% of research and development expenses incurred for three months ending March 31, 2020 and 2019, 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

NOTE 7 – CONCENTRATIONS AND SUPPLY UNCERTAINTIES:

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 parts 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. As of the date of this report the Chinese factories that we depend on for the delivery of parts and components to produce our medical instruments and disposable kits are operational.

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 three months ended March 31, 2020 100% of net product sales were to one customer. For the three months ended March 31, 2019 100% of net product sales were to one customer.

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 March 31, 2020, 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 $121,949.

NOTE 9 – SUBSEQUENT EVENT:

Subsequent to March 31, 2020, Milestone Scientific Inc., has advanced Milestone Medical approximately $210,000 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.

In the first quarter of 2020, the effects of the effects of the COVID-19 has dramatically reduced our direct marketing capabilities at Hospitals and Medical Centers in the USA and worldwide. Generally, all medical institutions have curtailed introduction of new instruments and procedures. Our marketing staff continue to make telephone contact with possible clients, but until the USA and State Governments relax the regulations currently in place are eased, direct marketing is at a standstill, thus potential revenues continue to be a challenge. The challenge of COVID-19 is expected to continue into the second and third quarter of this year as the USA and the other countries of the world, begin to slowly restart the normal business operations.

On April 21, 2020, Milestone Scientific Inc., announced on ESPI/14/2020 that it has validated and integrated the new CathCheck™ feature into the CompuFlo® Epidural System. Using CathCheck™, physicians and nurses can monitor the placement of a catheter to determine the presence or absence of a pulsatile waveform (heartbeat) providing new information that can be used to determine if the catheter is in place or has become dislodged from the epidural space. This can be performed within seconds by measuring the pulsatile waveform within the epidural space. This capability saves time and money and provides better patient care.

On May 13, 2020 the Company announced on ESPI/15/2020 that a study was published in the Open Journal of Anesthesiology validating the efficacy of the CompuFlo® CathCheck™ System to confirm

the correct placement and positioning of an epidural catheter for use during and after an epidural procedure. This is another validation that the CathCheck™ feature will help to significantly reduce time and cost for the institution by providing a more reliable way to re-check the catheter throughout the day to ensure that the catheter has not been displaced.

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

Consolidated quarterly report for the first quarter of 2020 was prepared in accordance with the rules indicated in Exhibit 3 to the Alternative Trading System Rules “Current and Periodical Information in the Alternative Trading System on the NewConnect market”. Information on applied accounting rules (policies) are presented in Note 3 to the Financial Statement.

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

The Company continues to work with the medical education market with the introduction of the CompuFlo® Epidural Trainer (CompuFlo Trainer), an 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. Zach Montgomery, Managing Director of American 3B Scientific commented, "Pairing 3B Scientific's didactic learning materials and advanced simulators with CompuFlo's objective verification is a game changer for training. Medical residency programs and simulation labs now have the ultimate training tool to accelerate the epidural procedure's learning curve, which holds big promise not only for training but clinical practice." 3B's customers include universities, schools, ministries or authorities of health and education, hospitals, practitioners, educational and medical distributors, and medical students. The CompuFlo Epidural Trainer is for training purposes only and not intended for clinical use.

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

The Company continues to focus sales effort on the medical education space with medical schools and skill labs with the introduction of the Epidural Trainer instrument

In September 2019, the Parent Company (Milestone Scientific, Inc.) engaged a new President. The President has a strong medical background and will be 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 resignations effective in the middle of October 2019. The length of the resignation period provided a smooth transition from the departing employees to the new President.

The Company added two Territory Sales Managers (in the USA) in the first quarter of 2020 to focus on the USA Market for Hospitals and Medical Canters. Unfortunately, the COVID-19 Pandemic has significantly reduced the effectiveness of the new additions to staff, by severely limiting access of these individuals to potential users of the CompuFlo Epidural instrument.

On January 11, 2020, Milestone Medical with its ESPI/1/2020 reported ninth published study reinforcing efficacy of CompuFlo Epidural Instrument as an objective tool to identify the epidural space and reduce risk of accidental dural puncture. The study verifies that the CompuFlo® Epidural System helps anesthesiologists to identify the epidural space with improved accuracy and less

variation thus limiting over-advancement of an epidural needle that can lead to complications when inserting an epidural needle versus their standard loss-of-resistance technique. Easier identification of the epidural space is essential to reducing the number of epidural attempts and risk of accidental dural puncture.

On January 28, 2020, the Company reported 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 on February 12, 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.

On January 16, 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.

On February 5, 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, on February 18, 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 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 Company also announced with its ESPI/3/2020 report in January 20, 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 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 reported 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 the suppliers continue to manufacture the instrument and the Company do 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.

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

Milestone demonstrated accurate placement for any technique to more than 1,000 acute pain physicians at the American Society of Regional Anesthesia (ASRA) and Acute Pain Medicine's 44th annual conference. At ASRA 2019, attendees participated in demonstrations of the CompuFlo Manometry Technique that pairs the traditional loss-of-resistance syringe with CompuFlo's objective detection of tissue pressure that is imperceptible by touch. Providers can complement their tactile feel with quantifiable, visual feedback for additional verification. This technique is achieved simply by connecting the CompuFlo instrument to a loss-of-resistance syringe with a 3-way valve. With the new manometry method, these benefits can be achieved for any technique-from traditional loss-of-resistance with saline, saline with an air pocket or intermittent pressure to an epidural needle with constant pressure.

Additionally, Milestone shared the results of two research abstracts featuring the CompuFlo® Epidural Instrument (CompuFlo) at Euroanesthesia 2019, Europe’s largest annual event showcasing the latest knowledge in the field of anesthesia. The 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.

On April 15, 2020, the company reported on ESPI/12/2020 Milestone announced that it has validated the new "Quick Start," which has been implemented into the CompuFlo® Epidural System. The Quick Start feature simplifies and provides an alternative pathway to reduce the procedure preparation time for the CompuFlo® instrument prior to the procedure.

On April 17, 2020 the company reported on ESPI/13/2020 Milestone reported that a study titled: "Cost Effectiveness Analysis of Two Labor Epidural Analgesia Techniques; Real-Time Pressure Sensing Technology and Traditional Technique," has been electronically presented for the American Society of Regional Anesthesia and Pain Medicine (ASRA). The poster was originally planned for

live presentation at the 45th Annual Regional Anesthesiology and Acute Pain Medicine Meeting, which was canceled due to the COVID-19 pandemic. The scientific session and poster sessions were placed on-line so that the researchers could present their findings. Further details of the study will be forthcoming and will be submitted for publication in a premier peer-reviewed medical journal.

On April 21, 2020, the Company reported on ESPI/14/2020 Milestone announced that it has validated and integrated the new CathCheck™ feature into the CompuFlo® Epidural System. Using CathCheck™, physicians and nurses can monitor the placement of a catheter to determine the presence or absence of a pulsatile waveform (heartbeat) providing new information that can be used to determine if the catheter is in place or has become dislodged from the epidural space. This can be performed within seconds by measuring the pulsatile waveform within the epidural space. This capability saves time and money and provides better patient care.

On May 13, 2020 the Company announced on ESPI/15/2020 that a study was published in the Open Journal of Anesthesiology validating the efficacy of the CompuFlo® CathCheck™ System to confirm the correct placement and positioning of an epidural catheter for use during and after an epidural procedure. This is another validation that the CathCheck™ feature will help to significantly reduce time and cost for the institution by providing a more reliable way to re-check the catheter throughout the day to ensure that the catheter has not been displaced. Pulsatile waveforms (originating from the spinal cord and transmitted through the dura in synchrony with heart rate) were observed in all the catheters properly located in the epidural space and disappeared when the catheter was extracted from the epidural space.

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

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

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

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

Below the Issuer presents some basic information about its subsidiary:

Table 6 General information about Subsidiary of the Issuer

SUBSIDIARY	**MILESTONE MEDICAL POLAND SP. Z.O.O.**
Registered office/Office:	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 Condensed Consolidated Financial Statements with this subsidiary according to laws and regulations applicable to the Issuer.

Leonard Osser
Interim Chief Executive Officer