Consolidated report of

MILESTONE MEDICAL INC. and its SUBSIDIARY

For the Year Ended December 31, 2021

Report includes:

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

New Jersey, March 18, 2022

1. THE LETTER OF THE BOARD OF DIRECTORS AND MANAGEMENT

To Our Valued Shareholders,

Although we faced temporary challenges during the pandemic, we have made significant progress over the past year advancing our efforts around the CompuFlo® Epidural Instrument and CathCheck™ System. We are gaining momentum, building upon the early success of our initiatives as we begin to work towards penetrate large hospitals, healthcare systems and pain management clinics with our CompuFlo® Epidural and CathCheck™ Verification System. Specifically, now that we have penetrated several medical institutions with our medical instrument, we are we are enhancing our sales and marketing organization as we prepare for the next phase of our growth. We are continuing these efforts into 2022, as we execute on our goal of establishing our medical instruments and disposables as the new standard of care for epidural procedures in labor and delivery and pain management.

Our initial focus has been on the labor and delivery market with 2.4 million annual epidural analgesia procedures in the U.S. alone. Most notably, in 2021, we began selling CompuFlo Epidural and CathCheck disposables to several premier medical centers, including Memorial Regional Hospital, Clear Lake Campus Hospital, Regional Medical Center (RMC), a premier regional healthcare system in South Carolina; the University of Texas Medical Branch at Galveston (UTMB); a nationally recognized Medical University of South Carolina (MUSC); and University Hospital of Würzburg in Germany.

In December 2021, we also signed an agreement for the purchase of CompuFlo® Epidural and CathCheck™ Verification System disposables with a major Northeast teaching hospital and two premier U.S. hospitals, expanding the Company's geographic footprint. Importantly, these premier hospitals belong to large healthcare systems in the United States, which is important validation of our technology. We believe the use of our instruments and disposables provides a level of safety and efficiency not currently available using conventional syringes and a significant economic benefit to the institution.

Additionally, we have expanded our global reach by adding new international distributors in Austria, Switzerland, Canada, Slovenia, and the United Arab Emirates. Each brings relationships within key global markets and proven track records introducing medical devices within their territories.

While our initial rollout is focused on the labor and delivery market, we are also targeting the pain management market. The overall addressable market for epidural anesthesia is estimated to be approximately $5 billion, with 11 million epidural procedures performed in the U.S. on an annual basis. The pain management market not only includes numerous hospitals, but also specialty centers, outpatient centers and sports medicine centers. Overall, we are receiving positive feedback and gaining recognition among both hospitals and physicians based on our ability to achieve better outcomes at lower cost. Two major thought leaders, Dr. Harsh Govil, MD, MPH and Dr. Miguel de la Garza have begun incorporating the CompuFlo® Epidural instrument into their practice for pain management to utilize the instrument for both surgical cases and office-based procedures to access the epidural space safely and quickly. The adoption of CompuFlo® Epidural instrument of Dr. Miguel de la Garza follows the approval by Surgery Partners, one of the largest and growing surgical services business in the country, for use across their network in pain management.

In summary, we have been successful in commencing the first phase of our commercial rollout of the CompuFlo Epidural Instrument®. The sales initiatives are taking hold, our sales pipeline is robust, and we look forward to finalizing additional agreements with several premier hospitals. We are in late-stage discussions with a number of hospitals, medical institutions and pain management clinics across the country that have the potential to convert to additional commercial orders. The feedback from both anesthesiologists and the healthcare institutions has been positive, given the safety and economic

benefits of our instruments. We have invested heavily in our new sales force and now have 9 full time experienced sales representatives in the field that are calling on hospitals every day. We are also in the process of adding new international distributors to build upon the traction we are gaining in the domestic market. Additionally, we successfully expanded the addressable market for our instruments beyond labor and delivery by entering the pain management market. The pain management market is at least twice the size of the labor and delivery market segment, and we believe the CompuFlo® Epidural instrument has the potential to capture a significant share of this market given its unparalleled safety, reduced risk of complications and cost savings.

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

Arjan Haverhals - Chief Executive Officer

2. STATEMENTS OF THE BOARD OF DIRECTORS AND MANAGEMENT

The management of the Milestone Medical, Inc. and Subsidiary ("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's financial results and that the report on the Company is presented in a fair view of the Company, including a description of basic exposures and risks.

As of December 31, 2021, 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:
Arjan Haverhals - Chief Executive Officer

The Board of Directors and management of the Company declares that the authorized entity to audit the consolidated financial statements, Friedman LLP was selected by the Audit Committee and approved by the Annual General Meeting of Shareholders effective August 18, 2021 in accordance with legal regulations and that this entity and certified auditors, who audited these financial statements met conditions to express their 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, 2021, 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:
Arjan Haverhals - 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:	kharcum@milestonescientific.com
Main website address:	www.medicalmilestone.com

Source: The Issuer

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

3.2. Board of Directors

Table 3 Board of Directors

NAME OF DIRECTOR	CURRENT AGE	DIRECTOR SINCE	END OF TERM
Zhu Yun	56	Sep-13	Next Annual Meeting of Shareholders
Martin S. Siegel	77	Sep-14	Next Annual Meeting of Shareholders

Source: The Issuer

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

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

On December 31, 2021, the Issuer employed nine (9) full time employees and eight (8) persons allocated from the parent company (Milestone Scientific Inc.) converted into full-time equivalents ("FTEs"). The Company has expanded its medical sales team in part, to more hospitals re-opening their facilities to outside sales representatives, as well as the safety and economic value proposition of our system. Previously, we had made the strategic decision to await the recovery of the pandemic prior to investing heavily in salesforce expansion, which allowed us to preserve capital. However, we are now aggressively building our sales and marketing organization to capitalize on these opportunities.

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:

31.12.2021: 1EUR = 1.1304 USD 31.12.2020: 1EUR = 1.1228 USD

Selected consolidated financial data from the Balance Sheets	USD		EUR	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Total assets	1,373,511	923,658	1,215,066	822,638
Cash	35,448	22,119	31,359	19,700
Prepaid expenses and other current assets	159,543	123,769	141,139	110,232
Inventories, net	1,122,029	455,365	992,595	405,562
Accounts receivable	14,650	-	12,960	-
Advance to contractors	34,383	314,116	30,417	279,761
Equipment, net depreciation	7,458	8,289	6,598	7,382
Current liabilities	22,355,223	17,945,911	19,776,383	15,983,177
Common stock	2,200	2,200	1,946	1,959
Accumulated paid-in-capital	7,502,363	7,258,833	6,636,910	6,464,939
Accumulated deficit	(28,486,275)	(24,283,286)	(25,200,173)	(21,627,437)
Stockholder's deficit	(20,981,712)	(17,022,253)	(18,561,317)	(15,160,539)

Table 4: Selected consolidated financial data of the balance sheet of Milestone Medical, Inc. as of December 31, 2021, with comparable consolidated data for year 2020.

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:

01.01.2021 to 31.12.2021: 1EUR = 1.1834 USD 01.01.2020 to 31.12.2020: 1EUR =1.1414 USD

Selected consolidated financial data from Statements of Operations	USD		EUR	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
Revenue	152,200	15,800	128,612	13,843
Cost of goods	63,351	51,010	53,533	44,691
Gross profit (loss)	88,849	(35,210)	75,079	(30,848)
Depreciation & amortization	7,312	5,694	6,179	4,989
Research and development expenses	80,700	303,944	68,193	266,291
Selling, general and administrative expenses	4,107,522	2,993,564	3,470,950	2,622,712
Total operating expenses	4,195,534	3,303,202	3,545,322	2,893,992
Interest expense	96,304	95,690	81,379	83,836
Net loss before income tax	(4,202,989)	(3,434,102)	(3,551,622)	(3,008,675)
Net loss	(4,202,989)	(3,434,102)	(3,551,622)	(3,008,675)

Table 5: Selected consolidated financial data of the statement of operations of Milestone Medical Inc. as of December 31, 2021, with comparable consolidated data for year 2020.

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, 2021, and 2020

Table of Contents **Page**

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, 2021 and 2020, 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, 2021 and 2020, and the related notes (collectively referred to as the 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, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2021 and 2020, 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 and the auditing standards generally accepted in the United States of America. 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Inventories and Valuation of Related Estimates and Obsolescence

Description of the Matter

The valuation of inventories requires management to make significant assumptions and complex judgments about the future salability of the inventory and its net realizable value. These assumptions include the assessment of net realizable value by inventory category considering future usage and forecast product demand for the Company's products. Changes in such assumptions could have a significant impact on the valuation of the Company's inventories. Additionally, management makes qualitative judgments related to slow moving and obsolete inventories. This leads to a high degree of auditor judgment and an increased extent of effort is required when performing audit procedures to evaluate the methodology and reasonableness of the estimates and assumptions.

How We Addressed the Matter in Our Audit

The following are the most relevant procedures we performed to address this critical audit matter:

- Testing whether the data used to determine if inventory is obsolete was complete and accurate and sufficiently precise
- Evaluating whether the expected customer demand used was reasonable, considering the Company's current and past marketing efforts and their market studies in developing the estimate of future demand, the estimated useful life of the inventory, current economic and competitive conditions that could impact the forecasts, and the timing of the introduction and development of new or enhanced products
- Evaluating the reasonableness of management's assumption related to the risk of technological or competitive obsolescence for products considering the technological or competitive obsolescence experiences during the product life cycle of existing products used in other business lines

/s/ Friedman LLP

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

East Hanover, New Jersey

March 18, 2022

Milestone Medical, Inc. and Subsidiary

Consolidated Balance Sheets

	December 31, 2021	December 31, 2020
ASSETS		
Cash	$ 35,448	$ 22,119
Accounts receivable	14,650	-
Inventories, net	1,122,029	455,365
Advances to contractors	34,383	314,116
Prepaid expenses and other current assets	159,543	123,769
Total current assets	1,366,053	915,369
Equipment, net	7,458	8,289
Total assets	$ 1,373,511	$ 923,658
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable	$ 180,536	$ 96,088
Accrued expenses and other payables	269,301	322,810
Accrued interest payable- related party	585,135	494,136
Advances from related party	18,520,251	14,232,877
Due to related party	2,800,000	2,800,000
Total current liabilities	22,355,223	17,945,911
Commitments		
Stockholders' deficit		
Common stock, par value $.0001; authorized 50,000,000 shares; 22,000,000 shares issued and outstanding at December 31, 2021, and 2020	2,200	2,200
Additional paid-in capital	7,502,363	7,258,833
Accumulated deficit	(28,486,275)	(24,283,286)
Total stockholders' deficit	(20,981,712)	(17,022,253)
Total liabilities and stockholders' deficit	$ 1,373,511	$ 923,658

See Notes to Consolidated Financial Statements

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

	2021	2020
Product sales, net	$ 152,200	$ 15,800
Cost of products sold	63,351	51,010
Gross profit (loss)	88,849	(35,210)
Selling, general and administrative expenses	4,107,522	2,993,564
Research and development expenses	80,700	303,944
Depreciation and amortization	7,312	5,694
Total operating expenses	4,195,534	3,303,202
Loss from operations	(4,106,685)	(3,338,412)
Interest expense	(96,304)	(95,690)
Loss before income tax	(4,202,989)	(3,434,102)
Provision for income taxes	-	-
Net loss	$ (4,202,989)	$ (3,434,102)

See Notes to Consolidated Financial Statements

Milestone Medical, Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Deficit
For the Years Ended December 31, 2021, and December 31, 2020

	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)
Stock Compensation from Parent	-	-	326,972	-	326,972
Net loss	-	-	-	(3,434,102)	(3,434,102)
Balance, December 31, 2020	22,000,000	$ 2,200	$ 7,258,833	$ (24,283,286)	$ (17,022,253)
Stock Compensation from Parent	-	-	243,530	-	243,530
Net loss	-	-	-	(4,202,989)	(4,202,989)
Balance, December 31, 2021	22,000,000	$ 2,200	$ 7,502,363	$ (28,486,275)	$ (20,981,712)

See Notes to Consolidated Financial Statements

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

	2021	2020
Cash flows from operating activities:		
Net loss	$ (4,202,989)	$ (3,434,102)
Adjustments to reconcile net cash (used in) operating activities:		
Depreciation and amortization expense	7,312	5,694
Stock Compensation from Parent	243,530	326,972
Write off advances to contractors	-	43,499
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(14,650)	2,600
Increase in inventories	(666,664)	(240,214)
Decrease (increase) in advances to contractors	279,733	(84,466)
Increase to prepaid expenses and other current assets	(35,774)	(40,955)
Increase (decrease) in accounts payable and accrued expenses	30,939	(124,926)
Increase in accrued interest related party	90,999	91,247
Net cash used in operating activities	$ (4,267,564)	$ (3,454,651)
Cash flows from investing activities:		
Purchases of equipment	(6,481)	(5,743)
Net cash used in investing activities	$ (6,481)	$ (5,743)
Cash flows from financing activities:		
Advances from related party	4,287,374	3,473,740
Net cash provided by financing activities	$ 4,287,374	$ 3,473,740
Net increase in cash	13,329	13,346
Cash at beginning of year	22,119	8,773
Cash at end of year	$ 35,448	$ 22,119

See Notes to Consolidated Financial Statements

NOTE 1 – ORGANIZATION AND BUSINESS:

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

During 2016, Milestone Scientific filed for 510(k) marketing clearance with the U.S. Food and Drug Administration (FDA) for both intra-articular and epidural injections with the CompuFlo System. In June 2017, the FDA approved the CompuFlo System for epidural injections. Beginning in 2020 Milestone Medical began the process of building an internal sales force to market our epidural instrument to medical schools, hospitals and individual anesthesiologists within the United States and other international markets.

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

NOTE 2 - LIQUIDITY AND GOING CONCERN:

The Company has evaluated whether there are conditions or events, considered taken together, which raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. Milestone Medical has incurred significant operating losses since its inception. On December 31, 2021, cash on hand was $35,448 with negative working capital of approximately $20.9 million.

As of December 31, 2021, the Company does not have sufficient cash to meet all its anticipated obligations for the next twelve months from the financial statement release date. These factors raise substantial doubt about the Company's ability to continue as a going concern.

During the second quarter of 2020 the Parent Company raised gross proceeds of approximately $19.7 million from the sale of common stock and warrants. Milestone Scientific, Inc. intends to advance additional funds to the Company for marketing, sales, and distribution of its CompuFlo® Epidural System. If Milestone Scientific, Inc. does not or is not able to advance appropriate amounts of funding and Milestone Medical is unable to obtain other sources of funding, there will be a material adverse effect on the Company. The financial statements do not include any adjustments relating to the recoverability and classification of assets carrying amounts or the amounts and classification of liabilities that might result should the Company be unable to continue as a going concern.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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

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

Inventories

Inventories principally consist of finished goods and component parts stated at the lower of cost (first-in, first-out method) or net realizable value. Inventory quantities on hand are reviewed on a quarterly basis and a provision for excess, slow moving, defective, and obsolete inventory is recorded if required based on past and expected future sales, potential technological obsolescence, and product expiration requirements. The valuation allowance creates a new cost basis for the inventory, and it is not subsequently marked up through a reduction in the valuation allowance based on any changes in the underlying facts and circumstances. The valuation allowance is only reduced if or when the underlying inventory is sold or destroyed. As of December 31, 2021, and 2020, inventory was recorded net of a valuation allowance for slow moving inventory of approximately $450,000. See Note 4.

Use of Estimates

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

Advances to Contractors

The advances to contractors represent funding to a subcontractor for parts required for epidural instrument manufacturing and repairs. For the years ended, December 31, 2021, and 2020 advances to contractors was $34,383 and $314,116 respectively.

Equipment, net

Equipment, net is recorded at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, which range from two to seven years. The depreciation expense For the Years Ended December 31, 2021, and 2020 was approximately $7,312 and $5,700, respectively. The costs of maintenance and repairs are charged to operations as incurred.

Revenue Recognition

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

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

The Company derives its revenues from the sale of its products, primarily medical instruments, handpieces/disposables, and other related products. The Company sells its products primarily through medical facilities and a global distribution network. Revenue from product sales is recognized upon transfer of control of a product to a customer, generally upon date of shipment. For certain arrangements where the shipping terms are FOB destination, revenue is recognized upon delivery.

The Company has no obligation on product sales for any installation, set-up, or maintenance, these being the responsibility of the buyer. The Company's only obligation after sale, except for specific contracts and arrangements that provide for customer right to return provisions, is the normal commercial warranty against manufacturing defects if the alleged defective unit is returned within the warranty period. We generally do not accept non-defective returns from our customers. Product returns under warranty are accepted, evaluated, and repaired or replaced in accordance with the Company's warranty policy. Returns not within the warranty policy are evaluated and the customer is charged for repair.

Sales Returns

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

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

Financing and Payment

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

Costs to Obtain or Fulfill a Customer Contract

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Disaggregated Revenue Information

	2021	2020
Domestic: US		
Instruments	$ -	$ -
Handpieces	35,200	2,000
Accessories	1,300	-
Grand Total	$ 36,500	$ 2,000
International: Rest of World		
Instruments	$ 70,000	$ 7,600
Handpieces	44,900	6,200
Accessories	800	-
Grand Total	$ 115,700	$ 13,800
Total Product Sales	**$ 152,200**	**$ 15,800**

Research and Development

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

Income Taxes

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

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

For the years ended December 31, 2021, and 2020, the Company recorded a de minimis State tax provision(benefit). The Federal benefits in 2021 and 2020 has been completely offset by a valuation allowance.

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

On December 31, 2021, and 2020, we had no uncertain tax positions that required recognition in the consolidated financial statements. The Company's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the statement of operations. Tax returns for 2018, 2019 and 2020 years are subject to audit by federal and state jurisdictions.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Stock-Based Compensation

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

Recent Accounting Pronouncements

In December 2019, FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes", which clarifies the accounting treatment for the accounting tax aspects relating, in part, to the intra-period allocations and foreign subsidiaries. ASU 2019-12 is effective for all entities with fiscal years beginning after December 15, 2020. The adoption of this standard as of January 1, 2021, did not have a material effect on the Company's consolidated financial statement presentation.

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

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

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

In May 2021, FASB issued ASU 2021-04, Earnings Per Share (topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation – Stock Compensation (Topic 718) and Derivatives and Hedging – Contracts in an Entity's Own Equity (Subtopic 815-40) – Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options, which provides guidance of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as (1) an adjustment to equity and, if so, the related earnings per share (EPS) effects, if any, or (2) an expense and, if so, the manner and pattern of recognition. The amendments in this ASU are effective January 1, 2022, including interim periods. Early adoption is permitted. The Company will apply the amendments prospectively to modifications or exchanges occurring on or after January 1, 2022. The Company will evaluate the impact of ASU 2021-04 on any future changes to the terms and conditions of its warrants.

NOTE 4 - INVENTORIES:

Inventories, net consist of the following:

	December 31, 2021	December 31, 2020
Inventories consists of the following:		
Epidural instruments	$ 726,130	$ 162,767
Epidural instruments - Trainer	1,626	1,626
Intra-articular instruments, net reserve	-	-
Epidural instruments Disposables	291,840	35,934
Component parts and other materials	101,202	253,793
Component parts and other materials - Trainer	1,231	1,245
Total	$ 1,122,029	$ 455,365

There is a full reserve for all Intra-articular instrument which was approximately $450,000 For the Years Ended December 31, 2021, and 2020.

NOTE 5 - RELATED PARTY TRANSACTIONS:

On December 31, 2014, Milestone Scientific, Inc. executed a $2 million line of credit agreement to provide bridge financing to the Company through April 15, 2016. Borrowings under the line bear interest at a rate of 3.25%, the prime rate at the inception of the agreement. In September 2015, the company requested and received approval from the Board of Directors of Milestone Scientific, Inc. to increase the limit of the line of credit increased to $2.5 million. In January 2016, the credit agreement was again increased to $3 million hold.

The technology underlying the CompuFlo®, and an improvement to the controls for CompuDent® were developed by the Director of Clinical Affairs and assigned to the Parent Company. Milestone Medical purchased a license to this technology pursuant to an agreement dated January 1, 2005. The Director of Clinical Affairs will receive payments of 5% of the total sales of the Company's products until the expiration of the last patent carried by Milestone Scientific, Inc. The Director of Clinical Affairs' royalty fee was approximately $6,900 and $790 for the years ended December 31, 2021, and 2020, respectively.

As of December 31, 2021, and 2020, $2.8 million is outstanding as due to - related party on the accompany Consolidated Balance Sheets. Additionally, as of December 31, 2021, and 2020, the Company owes accrued interest on the line of credit of approximately $585,000 and $494,000, which is reported as accrued interest payable- related party. Interest is payable based on availability of funds. No interest has been paid to the Parent Company since the inception of the loan. As of the financial report issuance date, Milestone Scientific, Inc. has not demanded payment of the line of credit.

Also, as of December 31, 2021, and 2020, the Company owes approximately $18.5 million and $14.2 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 December 2020, the Company signed an Agent Agreement (Agreement) with Milestone Scientific Inc. to facilitate sales of medical instrument and disposables to a General Purchasing Organization (GPO) in the USA. The Agreement requires the Company to pay a five (5) percent commission on all sales to this GPO, to Milestone Scientific Inc. The GPO services a significant number of hospitals and other medical facilities in the USA and requires that the Parent Company be financially responsible to the delivery and efficacy of the instrument and the related disposables. As of December 31, 2021, commission under this agreement was approximately $800. In 2020, there were no commissions due under this agreement.

NOTE 6 – CONCENTRATIONS AND SUPPLY UNCERTAINTIES:

The COVID-19 pandemic materially adversely affected the Company's financial results and business operations. The Company's employees have been and are being affected by the COVID-19 pandemic. The majority of our office and management personnel are working remotely. The health of the Company's workforce is of primary concern and the Company may need to enact further precautionary measures to help minimize the risk of our employees being exposed to the coronavirus.

The effectiveness of the on-going vaccination process, the length of time it takes for normal economic and operating conditions to resume, additional governmental actions that may be taken and/or extensions of time for restrictions that have been imposed to date, and numerous other uncertainties. Such events may result in business and manufacturing disruption, inventory shortages, delivery delays, and reduced sales and operations, any of which could materially affect our business, financial condition, and results of operations.

The coronavirus (COVID-19) adversely impacted our operations and those of our third-party partners. Due to the continuing spread of COVID-19, revenue for December 31, 2021, was adversely affected. Business interruptions, including any interruptions resulting from COVID-19, could significantly disrupt our operations and could have a material adverse impact on our business during 2022.

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

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

Milestone Medical has informal arrangements with third-party manufacturers of the epidural, and intra-articular devices, pursuant to which they manufacture these products under specific purchase orders but without any long-term contract or minimum purchase commitment. Consequently, advances on contracts have been classified as current December 31, 2021, and 2020.

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

Any curtailment or interruption of the supply, because of termination of such a relationship, would have a material adverse effect on Milestone Medical's financial condition, business, and results of operations.

For the twelve months ended December 31, 2021, domestic and international net product sales were approximately $36,500 and $115,700 or 24% and 76% of total sales, respectively. For the twelve months ended December 31, 2020, domestic and international net product sales were approximately $2,000 and $13,800 or 13% and 87% of total sales, respectively.

NOTE 7 – STOCK BASED COMPENSATION:

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

For the years ended December 31, 2021, and 2020, the Company was allocated stock compensation expense of approximately $174,000 and $327,000, respectively from Milestone Scientific Inc. The Company allocated approximately $330,000 and $519,000 of unrecognized compensation cost related to non-vested stock options for the years ended December 31, 2021, and 2020 respectively, which Milestone Medical expects to recognize these costs over a weighted average period of 1.57 years and 2.98 years, respectively.

As of December 31, 2021, there were 96,551 restricted shares granted and deferred under the terms of an employment agreements with the Territory Manager of Milestone Scientific. Such shares will be issued to each party upon completion of 2 years of employment. For the years ended December 31, 2021, the Company recognized stock compensation expense of approximately $70,000. As of December 31, 2021, the total unrecognized compensation expense was $159,375 related to unvested restricted stock awards, which the Company expects to recognize over an estimated weighted-average period of 1.38 years. No restricted stock awards were granted during the year ended December 31, 2020.

NOTE 8 - COMMITMENTS:

On April 6, 2021, Leonard Osser and Milestone Scientific Inc. restructured the U.S. Asian Consulting Group, LLC, agreements originally signed July 10, 2017, with the Company. The Consulting Agreement dated as of July 10, 2017 (the “Consulting Agreement”) between the Company and U.S. Asian Consulting Group, LLC, a company of which Mr. Osser is a principal, the compensation increased by $100,000 to $200,000, equally split between a cash amount and an amount in shares of Milestone Scientific Inc. common stock. Compensation under the Consulting Agreement are payable for 9.5 years from the date Mr. Osser steps down as Interim-CEO. Leonard Osser resigned as Interim Chief Executive Officer of the Company effective May 19, 2021. The Company recorded expense of $125,000 and $0 related to the US Asian Consulting Group, LLC for the year ended December 31, 2021, and 2020.

NOTE 9 – SUBSEQUENT EVENTS:

After December 31, 2021, Milestone Scientific Inc. has advanced Milestone Medical approximately $230,000 to support the commercialization process for the epidural instrument and other expenses necessary for the day-to-day operations of the Company.

Subsequent to December 31, 2021, the Vice President of Sales and Marketing for the Company resigned effective February 28, 2022

6. REPORT ON MILESTONE MEDICAL INC. AND SUBSIDIARY'S ACTIVITIES IN YEAR 2021

The Company has made significant progress over the past year advancing its commercial efforts around the CompuFlo® Epidural Instrument and CathCheck™ System. The Management Board of the Company is starting to see the results of its sales and marketing initiatives. The Company added nine Territory Sales Managers (in the USA) in 2021 and added a Sales Director to focus on the USA Market for Hospitals and Medical Centers. The Company has expanded its medical sales team including the appointment of Chet Trechock as Vice President of Sales Medical starting from June 23, 2021.The Company is looking forward to expanding the sales across the other hospitals within their network. The Company is in discussions with a number of additional hospitals and large healthcare systems, which the Issuer is looking forward to announcing in the future. The Company has added new distributors and begun to penetrate hospitals with our CompuFlo® Epidural Instrument and the Issuer expects this trend to continue as it anticipates adding additional hospitals in 2022.

In connection with the Company's previously disclosed succession plan: the Board of Directors has promoted Arjan Haverhals, President of the Company, to also serve as Chief Executive Officer of Milestone Medical effective May 19, 2021 – as announced on EBI/3/2021 on May 14, 2021. Arjan's strong leadership should be invaluable as the Company is working towards its goal of establishing our technology as standard of care in epidural procedures during labor and delivery, around the world.

On January 4, 2021, the Company announced on ESPI/1/2021 that as per a purchase order the Company received in late 2020, the Issuer has begun selling CompuFlo® disposables to the University of Texas Medical Branch at Galveston (UTMB), an institution of the University of Texas System and agency of the State of Texas.

On January 11, 2021, the Company announced on ESPI/3/2021 that it entered into an agreement with Bitmedical AG to distribute the CompuFlo Epidural Instrument and CathCheck System, as well as related disposables, in Switzerland and Austria. Bitmedical is a distributor of medical devices and equipment within Switzerland and Austria.

On January 12, 2021, the Company announced on ESPI/4/2021 that it has commenced sales of CompuFlo Epidural and CathCheck Disposables to Regional Medical Center (RMC), a premier regional healthcare system in South Carolina, United States of America.

On January 21, 2021, the Company announced on ESPI/5/2021 that Milestone Scientific Inc., the licensor, and the majority shareholder of the Issuer has received a Notice of Allowance from the United States Patent and Trademark Office (USPTO) relating to the disposable component of Milestone's CompuFlo® Instrument. The Board of Directors of the Company believes that ensuring the use of only authorized disposable components is critical to CompuFlo's performance, safety as well as the long-term financial success of the Company.

On February 23, 2021, the Company announced on ESPI/6/2021 that it has begun selling its CompuFlo® Epidural Instrument and related disposables to the University Hospital of Würzburg, one of the leading national hospitals in Germany.

On February 24, 2021, Milestone Medical, Inc. announced on ESPI/7/2021 that Milestone Scientific Inc., the licensor, and the majority shareholder of the Issuer has received a Notice of Allowance from the United States Patent and Trademark Office (USPTO) related to its new CompuPulse System, which integrates the Company's CompuWave™ technology with a manual syringe.

On March 2, 2021, the Company announced on ESPI/8/2021 that it has begun selling CompuFlo® / CathCheck™ disposables to the Medical University of South Carolina (MUSC). MUSC Health owns and operates eight hospitals and provides patient care throughout the state of South Carolina.

On March 10, 2021, the Company announced on ESPI/9/2021 that Milestone Scientific Inc., the licensor and the majority shareholder of Milestone Medical Inc. has received Notice of Allowance from the European Patent Office (EPO) combining minimum intensity of nerve stimulation (MIS) and real-time injection pressure (IP) monitoring utilizing Milestone's CompuFlo® instrument and associated DPS Dynamic Pressure Sensing Technology® to optimize needle tip location in ultrasound-guided peripheral nerve block (PNB) procedures.

On July 7, 2021, the Company announced on ESPI/14/2021 that the University of Texas Medical Branch (UTMB) Health Clear Lake Campus Hospital has begun use of the CompuFlo Epidural Instrument. UTMB is an institution of the University of Texas System and agency of the State of Texas. UTMB is a major academic health sciences center of global influence, with medical, nursing, health professions and graduate biomedical schools; a world-renowned research enterprise; and a growing, comprehensive health system with hospitals on four campuses. As previously announced, the Company had begun selling CompuFlo disposables to the UTMB Health Galveston Campus Hospital.

On August 18, 2021, the Company's Annual Meeting of Shareholders was held in Roseland, New Jersey, United States of America at the corporate office of the Company, located at 425 Eagle Rock Avenue, Suite 403. Resolutions adopted by the Annual Meeting of Shareholders were published in the current report No. EBI/11/2021 dated August 19, 2021.

On October 4, 2021, the Company announced on ESPI/17/2021 that Memorial Regional Hospital in Hollywood, Florida., has begun the use of the CompuFlo Epidural Instrument. Memorial Regional Hospital is one of the largest hospitals in Florida. Additionally, the Company has received approval to eventually supply the CompuFlo Epidural and CathCheck Verification System disposables across Memorial Healthcare System network of hospitals, which also includes Joe DiMaggio Children's Hospital, Memorial Regional Hospital South, Memorial Hospital West, Memorial Hospital Miramar, and Memorial Hospital Pembroke.

On October 14, 2021, the Company announced on ESPI/18/2021 that it has added three new international distributors for the CompuFlo Epidural Instrument, including Andau Medical in Canada, Sanolabor DD in Slovenia, and New Al Farwaniya Surgicals and Medical Equipment LLC in the United Arab Emirates. Each of the distributors brings extensive relationships within key global markets and proven track records introducing medical devices within their territories.

On December 1, 2021, the Company announced on ESPI/19/2021 that Dr. Miguel de la Garza has begun incorporating the CompuFlo Epidural instrument into his practice for pain management, following approval by Surgery Partners, one of the largest and growing surgical services business in the country. Dr. de la Garza plans to utilize the CompuFlo Epidural instrument for both surgical cases and office-based procedures to access the epidural space safely and quickly.

On December 22, 2021, the Company announced on ESPI/20/2021 that following a successful trial, it has signed an agreement for the purchase of the CompuFlo Epidural and CathCheck Verification System disposables with a major northeast teaching hospital, which is part of one of the leading health systems in the United States. As a teaching hospital, the CompuFlo Epidural and CathCheck Verification Systems provide residents, fellows, and even seasoned physicians greater accuracy through real-time verification of epidural needle placement, as well as subsequent monitoring of catheter placement.

On December 28, 2021, the Company announced on ESPI/21/2021 the purchase of CompuFlo Epidural and CathCheck Verification System disposables from two additional leading U.S. hospitals, expanding the Company's geographic footprint. One of these new hospitals represents an expansion to an additional location within its existing healthcare system, which, in opinion of the Board of Directors, is important validation of the technology.

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

The Company remains focused on advancing efforts establishing Milestone's platform as the standard-of-care in painless and precise drug delivery, providing for the first time objective visual and audible in-tissue pressure feedback, and continuing to expand platform applications. Commercializing our CompuFlo Epidural System, a transformative device for epidural anesthesia procedures expanding the global footprint of our CompuFlo Epidural System by partnering with distribution companies worldwide.

The Company is witnessing growing interest in CompuFlo® Epidural Instrument and CathCheck™ System among anesthesiologists and hospitals. This interest is due, in part, to more hospitals re-opening their facilities to outside sales representatives, as well as the safety and economic value proposition of our system. Previously, the Company made the strategic decision to await the recovery of the pandemic prior to investing heavily in salesforce expansion, which allowed the Company to preserve capital and extend the cash runway. However, the Company is now aggressively building the sales and marketing organization to capitalize on these opportunities. Overall, the response from both hospitals and physicians has been positive and the Company is in several trials across the country that have the potential to convert to additional commercial orders later this year.

6.1. Description of basic exposures and risks

The Issuer, in 2021, continued in the process of commercializing the company. However, there are several risk areas that are identifiable:

1. The Issuer require additional funding and may be unable to raise capital when needed, which may force us to delay, curtail or eliminate commercialization efforts of our CompuFlo Epidural Computer Controlled Anesthesia System. In the meantime, Milestone Scientific Inc. is supporting the expenses of the Issuer on a limited basis until alternative financing is available. The Company has evaluated whether there are conditions or events, considered taken together, which raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. Milestone Medical has incurred significant operating losses since its inception. On December 31, 2021, cash on hand was $35,448 with negative working capital of approximately $20.9 million.
   As of December 31, 2021, the Company does not have sufficient cash to meet all its anticipated obligations for the next twelve months from the financial statement release date. These factors raise substantial doubt about the Company's ability to continue as a going concern.
2. The coronavirus (COVID-19) adversely impacted our operations and those of our third-party partners. Business interruptions, including any interruptions resulting from COVID-19, could significantly disrupt our operations and could have a material adverse impact on our business during 2022. All our employees are in the U.S.

3. Although the FDA has cleared our application to begin marketing the CompuFlo Epidural System, this is no assurance that physicians, hospitals, clinics, and other health care providers will accept and use it. Acceptance and use of the CompuFlo Epidural System will depend on many factors including:

    - perceptions by members of the health care community, including physicians, about the safety and effectiveness of our product;
    - cost-effectiveness of our product relative to competing products and systems;
    - convenience, ease of use and reliability of our product relative to competing products and systems;
    - patient satisfaction;
    - product availability as well as, manufacturer warranty, maintenance, and customer

and technical support;
- availability of reimbursement for our product from government or other healthcare payers; and
- effectiveness of marketing and distribution efforts by us and our licensees and distributors, if any.

Because we expect sales of the *CompuFlo* Epidural Computer Controlled Anesthesia System to generate substantially all our medical product revenues in the near-term, the failure of this product to find market acceptance would harm our business and could require us to seek additional financing or make such financing difficult to obtain on favorable terms, if at all.

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 year covered by the consolidated financial information was approximately $1.4 million for the year ended December 31, 2021, from $924,000 for the year ended December 31, 2020.

The cash balance of $35,448 is a critical issue for the Company moving into 2022. 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)

	2021	2020
Current Assets	**$ 1,366,053**	**$ 915,369**
Cash	35,448	22,119
Accounts receivable	14,650	-
Prepaid expenses and other current assets	159,543	123,769
Inventories, net	1,122,029	455,365
Advances to contractors	34,383	314,116
Equipment, net depreciation	7,458	8,289
TOTAL ASSETS	**$ 1,373,511**	**$ 923,658**

Source: The Issuer

During 2021, the main source of the Issuer's financing was borrowing from Milestone Scientific, Inc. The Company will continue to expand their marketing and sales of the medical instruments in the USA and in Europe in 2022. For the years ended December 31, 2021, and 2020, the Issuer had no long-term debt or any other long-term liabilities. 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)

	2021	2020
Current Liabilities	**$ 22,355,223**	**$ 17,945,911**
Accounts payable and accrued expenses	449,837	418,898
Accrued interest due to the parent	585,135	494,136
Payable to Milestone Scientific, Inc.	21,320,251	17,032,877
TOTAL LIABILITIES	**$ 22,355,223**	**$ 17,945,911**

Source: The Issuer

The $22,355,223 and $17,945,911 on December 31, 2021, and 2020 includes $2.8 million of advances on a line of credit established by Milestone Scientific Inc in both years, and approximately $19.1 million and $14.7 million for 2021 and 2020, respectively, of other advances and accrued interest.

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

	2021	2020
Common stock, par value $.0001; authorized 50,000,000 shares; 22,000,000 shares issued and outstanding at December 31, 2021, and December 31, 2020	2,200	2,200
Additional paid in capital	7,502,363	7,258,833
Accumulated deficit	(28,486,275)	(24,283,286)
TOTAL SHAREHOLDERS' DEFICIT	**$ (20,981,712)**	**$ (17,022,253)**

Source: The Issuer

Table 9: Basic liquidity ratios of the Company

	2021	2020
Current ratio (CR)	0.06	0.05
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- customer advances)/Total current liabilities
Cash ratio	=	Cash/Total current liabilities

Liquidity analysis

As of December 31, 2021, the Issuer had higher levels of total current liabilities and a low amount of cash. The increase in the current liquidity ratios in 2021 was primarily caused by a more significant rise in total current assets than total current liabilities.

As of December 31, 2021, 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, Milestone Scientific, Inc., the Parent Company in 2020, raised gross proceeds of approximately $19.7 million from the sale of Milestone Scientific common stock and warrants. Milestone Scientific, Inc intends to advance additional funds to the Company for manufacturing, marketing, sales, and distribution of its CompuFlo® Epidural System and development of new products and new product uses as well as to help mitigate the risks related to COVID-19. 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 Milestone Scientific Inc.'s other working capital requirements and for general corporate purposes.

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.

Milestone Medical, Inc.

The coronavirus (COVID-19) adversely impacted our operations and those of our third-party partners. Due to the continuing spread of COVID-19, revenues for the year ended December 31, 2021, were adversely affected. Business interruptions, including any interruptions resulting from COVID-19, could significantly disrupt our operations and could have a material adverse impact on our business into 2022. All our employees are in the U.S.

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

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

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 $81,000 in research and development for the Epidural instruments in 2021, a decrease of approximately $223,000 over 2020. The decrease was due to specific instrument enhancements that were completed in in 2020. The Issuer plans to expand its marketing efforts including attending (virtual) medical device trade conferences in the USA (major focus) and CE authorized countries in Europe and the Middle East in 2022.

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.

On June 12, 2017, Milestone Scientific was notified by FDA (USA) that the Epidural instrument received marketing clearance in the USA.

The Company remains focused on advancing our commercial efforts around the CompuFlo® Epidural Instrument and CathCheck™ System in the USA and throughout the world. Specifically, now that the Company has added new distributors and has hospitals and pain management clinics with its CompuFlo® Epidural Instrument, it is aggressively building our sales and marketing organization to prepare for the next phase of our growth. The Company is looking forward to expanding the sales across the other hospitals within their network. The Company is in discussions with a number of additional hospitals and large healthcare systems, which the Issuer is looking forward to announcing in the future. The Issuer expects this trend to continue as it anticipates adding additional medical institutions in 2022. The Company continues to execute on our goal of establishing our medical instruments and disposables as the new standard of care for epidural procedures in labor and delivery and pain management.

As the Company is constantly evolving the injection and drug delivery systems, it received in 2021 two Notices of Allowance for a key patent from the U.S. Patent and Trademark Office (USPTO) and Notice of Allowance from the European Patent Office (EPO). These notices of allowance significantly expand the intellectual property surrounding injection and drug delivery systems and further solidify the leadership position in the computerized injection market by enabling new applications of the technology.

The first patent relates to the disposable component of Milestone's CompuFlo Instrument and covers the unique interactions of the disposable assembly and a micro-chip security verification feature embedded in the disposables, which provides numerous clinical and safety benefits for the patient and practitioner. Ensuring the use of only authorized disposable components is critical to CompuFlo's performance and safety, as well as the long-term financial success of our Company.

The second patent relates to our new CompuPulse System, which integrates the CompuWave™ technology with a manual syringe. This new technology provides an efficient and low-cost alternative for procedures where a manual syringe may suffice, while still providing the ability to verify needle and subsequent catheter placement, which opens up to a number of exciting new markets and applications for the technology.

The third patent from the European Patent Office (EPO) combines minimum intensity of nerve stimulation (MIS) and real-time injection pressure (IP) monitoring utilizing Milestone's CompuFlo® instrument and associated DPS Dynamic Pressure Sensing Technology® to optimize needle tip location in ultrasound-guided peripheral nerve block (PNB) procedures; thus, helping to reduce the risk of needle injury during PNB procedures.

In relation to the Compu-Flo Intra Articular Computer Controlled Injection System, the Company received notification from the FDA in December 2016 that based upon the 510(k)-application submitted, 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 510(k) original application filed with FDA lapsed in January 2019.

7. 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, 2021 and 2020, 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, 2021 and 2020, and the related notes (collectively referred to as the 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, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2021 and 2020, 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 and the auditing standards generally accepted in the United States of America. 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.

Critical Audit Matters
The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Inventories and Valuation of Related Estimates and Obsolescence

Description of the Matter

The valuation of inventories requires management to make significant assumptions and complex judgments about the future salability of the inventory and its net realizable value. These assumptions include the assessment of net realizable value by inventory category considering future usage and forecast product demand for the Company's products. Changes in such assumptions could have a significant impact on the valuation of the Company's inventories. Additionally, management makes qualitative judgments related to slow moving and obsolete inventories. This leads to a high degree of auditor judgment and an increased extent of effort is required when performing audit procedures to evaluate the methodology and reasonableness of the estimates and assumptions.

How We Addressed the Matter in Our Audit

The following are the most relevant procedures we performed to address this critical audit matter:

- Testing whether the data used to determine if inventory is obsolete was complete and accurate and sufficiently precise
- Evaluating whether the expected customer demand used was reasonable, considering the Company's current and past marketing efforts and their market studies in developing the estimate of future demand, the estimated useful life of the inventory, current economic and competitive conditions that could impact the forecasts, and the timing of the introduction and development of new or enhanced products
- Evaluating the reasonableness of management's assumption related to the risk of technological or competitive obsolescence for products considering the technological or competitive obsolescence experiences during the product life cycle of existing products used in other business lines

/s/ Friedman LLP

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

East Hanover, New Jersey

March 18, 2022

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 2021.

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 except for 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 except for 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;	YES	

	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	

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 except for 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 except for 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	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.

	General Meetings, opening of subscriptions, meetings with investors or analysts and expected dates of publication of analytical report		
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	

Arjan Haverhals
Chief Executive Officer