Consolidated report of

MILESTONE MEDICAL INC. and its SUBSIDIARY

For the Year Ended December 31, 2022

Report includes:

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

New Jersey, March 21, 2023

2. THE LETTER OF THE BOARD OF DIRECTORS AND MANAGEMENT

To Our Valued Shareholders,

We made progress over the past year advancing our commercial efforts around the CompuFlo® Epidural and CathCheck® Verification System. Specifically, we added new distributors and have commenced sales in key hospitals, healthcare systems and pain management clinics.

Our initial focus has been on the labor and delivery market with 2.4 million annual epidural analgesia procedures in the U.S. alone. In August 2022 we began implementing the CompuFlo Epidural System at UofL Health (University of Louisville) across three distinct departments: labor & delivery, acute pain and in the operating room. In July 2022, we were approved as a vendor within a leading medical center in Southern California, serving over 10 million members, with more than 100,000 babies delivered each year across multiple states. Moreover, our CompuFlo® Epidural System has been incorporated into the Student Registered Nurse Anesthesia (SRNA) program at the University of Scranton to educate the next generation of nurse anesthetists on the safety and economic benefits of our instruments. The addition of leading North American hospitals illustrates our continued traction in the labor and delivery market across the country, and further validates the favorable response to our technology by leading anesthesiologists.

Moreover, the recent receipt of a temporary Current Procedural Terminology (CPT®) code for our technology is an important milestone and reinforces our confidence in the potential for reimbursement beyond existing codes for epidural procedures. Aside from the clinical benefits, this code is expected to play an important role in private pain clinics, where administration financial decision making will be made easier thereby potentially helping accelerate our commercial roll-out.

While our initial rollout was focused on the labor and delivery market, we are also targeting 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 share of this market given its unparalleled safety, and reduced risk of complications. The pain management market not only includes numerous hospitals, but also specialty centers, outpatient centers and sports medicine centers.

We are especially encouraged by the interest in our Epidural instruments by anesthesiologists and pain management providers, especially for patients with complex anatomy and difficult cases that involve the thoracic and cervical thoracic junction. Since the beginning of the new year, we received 510(k) FDA clearance for use in the thoracic region of the spine. This approval expands the scope of indications beyond labor and delivery into challenging thoracic and cervical epidural procedures, where the incidence rates of morbidity are believed to be much higher, due to the difficulties accessing the epidural space.

In two weeks since receiving the thoracic clearance, we commenced the sales of our CompuFlo Epidural System in Colorado, as well as the University Pain and Spine Center, which operates 7 locations across New Jersey and New York. Two major thought leaders, Dr. Brad Sisson, MD, and Dr. Didier Demesmin, MD, MBA, have begun incorporating the CompuFlo® Epidural instrument into their practice for pain management in Colorado, and New Jersey, following successful evaluations. The further validation of our technology by key opinion leaders in anesthesiology and pain medicine illustrates their commitment to incorporating the latest technologies to improve patient outcomes and safety, especially within the more difficult thoracic region of the spine.

Moreover, we believe there is a significant market opportunity for our CompuFlo Epidural Instrument within federal and other government agencies, where we believe, our system will contribute to improved patient outcomes and efficiencies. Most recently we have been granted registration with the U.S. Government's System for Award Management (SAM), which is a key step in the overall governmental decision-making and payment process. A SAM registration is required for entities to bid on contracts and conduct business with Department of Defense and the Department of Veterans Affairs., Indian Health

Service and other government agencies. In addition, we are pursuing U.S. Federal Supply Service (FSS) approval for the CompuFlo® Epidural Instrument which, if granted, would provide uniform pricing and reimbursement across government agencies.

At the same time, we have extended our network of distribution partners to assist in further adoption of CompuFlo® Epidural System. We recently added a new international distributor in Greece and re-engaged with our domestic partner, Clinical Technology, Inc., a leading specialty distributor of medical products in the mid-west and east coast regions of the U.S. Each brings relationships within key global markets and proven track records introducing medical devices within their respective territories. We believe that Greece is an important market for us with a population in excess of 10 million people and 76 thousand childbirths each year.

In summary, we are gaining momentum, building upon the early success of our initiatives as we begin to penetrate large hospitals, healthcare systems and pain management clinics with our CompuFlo® Epidural and Cath Check Verification System. We are receiving positive feedback among clinics and physicians based on our ability to achieve better outcomes at lower cost. We added new hospitals and pain management clinics, as well as expanded our distribution partners. We are continuing our efforts into 2023 to seed the market with our technology among leading anesthesiologists and pain specialists, which we believe will ultimately translate into widespread adoption, as we execute on our goal of establishing the CompuFlo Epidural System as standard of care in epidural analgesia.

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 according to their best knowledge, the annual consolidated financial statements and comparable data were prepared in accordance with accounting principles generally accepted in the United States of America and that they reflect in a true, fair and clear manner the property and financial situation of the Issuer's capital group and its financial result, and that the report on the activity of the Issuer's capital group presents a fair view of the Issuer's capital group, including a description of basic exposures and risks.

As of December 31, 2022, 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, Marcum LLP was selected by the Audit Committee and approved by the Annual General Meeting of Shareholders effective September 23, 2022 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. Marcum LLP's report on the December 31, 2022, 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, Suite 403, 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	57	Sep-13	Next Annual Meeting of Shareholders
Martin S. Siegel	78	Sep-14	Next Annual Meeting of Shareholders

Source: The Issuer

On September 23, 2022, 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.

As of December 31, 2022, the Issuer employed three (3) full time employees and nine (9) persons allocated from the parent company (Milestone Scientific Inc.) converted into full-time equivalents ("FTEs"). The Company has expanded its medical sales team in 2021 and 1Q 2022 and will continue to promote direct marketing support to hospitals and pain clinics throughout the world during 2022. However, during 2nd Quarter of 2022, the Company reduced its sales team in half due to an increase in costs not off-set by the revenues and further reduced its sales team in the 3rd Quarter of 2022. The Company is currently concentrating on certain territories in the USA and certain areas in the international market as well.

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:

31.12.2022: 1EUR = 1.0543 USD 31.12.2021: 1EUR = 1.1304 USD

Selected consolidated financial data from the Balance Sheets	USD		EUR	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Total assets	$ 620,372	$ 1,373,511	€ 588,421	€ 1,215,066
Cash	20,288	35,448	19,243	31,359
Prepaid expenses and other current assets	115,904	159,543	109,935	141,139
Inventories, net	404,461	1,122,029	383,630	992,595
Accounts receivable	650	14,650	617	12,960
Advance to contractors	75,686	34,383	71,788	30,417
Equipment, net depreciation	3,383	7,458	3,208	6,598
Current liabilities	$ 26,456,172	$ 22,355,223	€ 25,093,590	€ 19,776,383
Common stock	2,200	2,200	2,087	1,946
Accumulated paid-in-capital	7,533,363	7,502,363	7,145,369	6,636,910
Accumulated deficit	(33,371,363)	(28,486,275)	(31,652,625)	(25,200,173)
Stockholder's deficit	$ (25,835,800)	$ (20,981,712)	€ (24,505,169)	€ (18,561,317)

Table 4: Selected consolidated financial data of the balance sheet of Milestone Medical, Inc. as of December 31, 2022, with comparable consolidated data for year 2021.

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:

01.01.2022 to 31.12.2022: 1EUR = 1.0543 USD 01.01.2021 to 31.12.2021: 1EUR =1.1834 USD

Selected consolidated financial data from Statements of Operations	USD		EUR	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Revenue	$ 52,750	$ 152,200	€ 50,047	€ 128,612
Cost of goods	598,110	63,351	567,467	53,533
Gross profit (loss)	(545,360)	88,849	(517,420)	75,079
Depreciation & amortization	4,076	7,312	3,867	6,179
Research and development expenses	54,686	80,700	51,884	68,193
Selling, general and administrative expenses	4,183,982	4,107,522	3,969,622	3,470,950
Total operating expenses	4,242,744	4,195,534	4,025,373	3,545,322
Interest expense	96,984	96,304	92,015	81,379
Net loss before income tax	(4,885,088)	(4,202,989)	(4,634,808)	(3,551,622)
Net loss	$ (4,885,088)	$ (4,202,989)	€ (4,634,808)	€ (3,551,622)

Table 5: Selected consolidated financial data of the statement of operations of Milestone Medical Inc. as of December 31, 2022, with comparable consolidated data for year 2021.

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, 2022, and 2021

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Milestone Medical, Inc. and subsidiary (the "Company") as of December 31, 2022, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the year ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a significant working capital deficiency, has incurred significant losses, and needs to raise additional funds to meet its obligations and sustain its operations. These conditions 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 audit. 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 audit in accordance with the standards of the PCAOB and in accordance with 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 audit, 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters 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. We determined that there are no critical audit matters.

/s/ Marcum LLP

We have served as the Company's auditor since 2016 (such date takes into account the acquisition of certain assets of Friedman LLP by Marcum LLP effective September 1, 2022)

East Hanover, New Jersey
March 21, 2023

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 sheet of Milestone Medical, Inc. (the "Company") as of December 31, 2021, the related consolidated statements of operations, stockholders' deficit and cash flows for the year ended December 31, 2021, 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 the results of its operations and its cash flows for year ended December 31, 2021, 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 audit. 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 audit in accordance with the standards of the PCAOB and in accordance with 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 consolidated 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 audit 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 audit included performing procedures to assess the risks of material misstatement of the consolidated 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 audit 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 audit provides 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 of whether the data used to assess obsolescence associated with inventory on hand was complete 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 from 2016 to 2022.

East Hanover, New Jersey
March 18, 2022

Milestone Medical, Inc. and Subsidiary
Consolidated Balance Sheets

	December 31, 2022	December 31, 2021
ASSETS		
Cash	$ 20,288	$ 35,448
Accounts receivable	650	14,650
Inventories	404,461	1,122,029
Advances to contractors	75,686	34,383
Prepaid expenses and other current assets	115,904	159,543
Total current assets	616,989	1,366,053
Equipment, net	3,383	7,458
Total assets	$ 620,372	$ 1,373,511
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable	$ 101,739	$ 180,536
Accounts payable, related party	1,628	-
Accrued expenses and other payables	139,786	267,933
Accrued expenses and other payables, related party	-	1,368
Accrued interest payable- related party	676,134	585,135
Advances from related party	22,736,885	18,520,251
Due to related party	2,800,000	2,800,000
Total current liabilities	$ 26,456,172	$ 22,355,223
Stockholders' deficit		
Common stock, par value $.0001; authorized 50,000,000 shares; 22,000,000 shares issued and outstanding at December 31, 2022, and December 31, 2021.	2,200	2,200
Additional paid-in capital	7,533,363	7,502,363
Accumulated deficit	(33,371,363)	(28,486,275)
Total stockholders' deficit	(25,835,800)	(20,981,712)
Total liabilities and stockholders' deficit	$ 620,372	$ 1,373,511

See Notes to Consolidated Financial Statements

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

	2022	2021
Product sales	$ 52,750	$ 152,200
Cost of products sold	598,110	63,351
Gross (loss) profit	$ (545,360)	$ 88,849
Selling, general and administrative expenses	4,183,982	4,107,522
Research and development expenses	54,686	80,700
Depreciation and amortization	4,076	7,312
Total operating expenses	$ 4,242,744	$ 4,195,534
Loss from operations	(4,788,104)	(4,106,685)
Interest expense	(96,984)	(96,304)
Loss before income tax	$ (4,885,088)	$ (4,202,989)
Provision for income taxes	-	-
Net loss	$ (4,885,088)	$ (4,202,989)
Basic and diluted	(0.22)	(0.19)
Weighted average shares outstanding Basic and diluted	22,000,000	22,000,000

See Notes to Consolidated Financial Statements

Milestone Medical, Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Deficit
For the Years Ended December 31, 2022, and 2021

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Total
Balance, January 1, 2021	22,000,000	$ 2,200	$ 7,258,833	$ (24,283,286)	$ (17,022,253)
Stock Compensation from Parent			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)
Stock Compensation from Parent			31,000		31,000
Net loss				(4,885,088)	(4,885,088)
Balance, December 31, 2022	22,000,000	$ 2,200	$ 7,533,363	$ (33,371,363)	$ (25,835,800)

See Notes to Consolidated Financial Statements

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

	2022	2021
Cash flows from operating activities:		
Net loss	$ (4,885,088)	$ (4,202,989)
Adjustments to reconcile net loss to cash (used in) operating activities:		
Depreciation and amortization expense	4,075	7,312
Stock compensation from parent	31,000	243,530
Inventory reserve	582,299	-
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	14,000	(14,650)
Decrease (increase) in inventories	135,269	(666,664)
(Increase) decrease in advances to contractors	(41,303)	279,733
Decrease (Increase) to prepaid expenses and other current assets	43,639	(35,774)
(Decrease) increase in accounts payable and accrued expenses	(206,944)	29,571
Increase in accounts payable and accrued expenses, related party	260	1,368
Increase in accrued interest related party	90,999	90,999
Net cash used in operating activities	$ (4,231,794)	$ (4,267,564)
Cash flows from investing activities:		
Purchases of equipment	-	(6,481)
Net cash used in investing activities	$ -	$ (6,481)
Cash flows from financing activities:		
Advances from parent	4,216,634	4,287,374
Net cash provided by financing activities	$ 4,216,634	$ 4,287,374
Net (decrease) increase in cash	(15,160)	13,329
Cash at beginning of period	35,448	22,119
Cash at end of period	$ 20,288	$ 35,448

See Notes to Consolidated Financial Statements

NOTE 1 – ORGANIZATION AND BUSINESS:

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

In June 2013, the Company changed its name to Milestone Medical Inc. The Company changed its Certificate of Incorporation to authorize 50,000,000 common shares, par value $0.0001 per share and authorized 5,000,000 Preferred Shares, (preferred stock) at $0.0001 per share in September 2013. Additionally, the common stock outstanding was split 10,000 to 1 into an aggregate of 20,000,000 shares. All periods presented have been recast to reflect these changes.

In October and November 2013, the Company raised $2,363,206 in net proceeds (gross funding was $3 million) through a Private Placement Offering. The offering resulted in the issuance of 2 million shares of common stock at $1.50 (4.65 PLN) per share in a private placement in Poland.

On June 17, 2016, Milestone Scientific initiated a share exchange program pursuant to which would exchange one share of Milestone Scientific Inc. common stock for every two outstanding shares of Milestone Medical common stock. As of December 31, 2017, 5,319,042 shares of Milestone Scientific common stock have been issued in exchange for 10,638,084 shares of Milestone Medical common stock. Because of these exchanges, Milestone Scientific owns approximately 99% of Milestone Medical at December 31, 2017.

The Company received notification from the FDA in December 2016 that based upon the 510(k)-application submitted for the Company's Compu-Flo Intra Articular Computer Controlled Injection System, the Company did not adequately document that the device met the equivalency standard required for 510(k) clearances. The Company provided an additional data submission to the FDA in April 2017, in support of a resubmission 510(k) application for the device. The Company has 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.

On June 12, 2017, the company announced that the CompuFlo® Epidural Computer Controlled Anesthesia System has received 510(k) clearances from the U.S. Food and Drug Administration (FDA). The CompuFlo® Epidural System provides anesthesiologists and other Health Care Providers for the first time, the ability to quantitatively determine and document the pressure at the needle tip in real-time. The CompuFlo® Epidural's proprietary DPS Dynamic Pressure Sensing Technology™ (DPS) allows the CompuFlo® Epidural to provide objective visual and audible in-tissue pressure feedback that allows anesthesiologists to identify the epidural space.

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

NOTE 2 - LIQUIDITY AND GOING CONCERN:

The Company has evaluated whether there are conditions or events, considered 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, 2022, cash on hand was approximately $20,000 with negative working capital of approximately $25.8 million.

As of December 31, 2022, the Company does not have sufficient cash to meet all its anticipated obligations for the next twelve months from the financial statement release date. These factors raise substantial doubt about the Company's ability to continue as a going concern. Milestone Medical will continue to manage its cash position while taking strategic step to commercialize the Epidural instrument in the USA and throughout the world.

If Milestone Scientific, Inc. does not or is not able to lend 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 recoverability and classification of assets carrying amounts or the amounts and classification of liabilities that might result should the company be unable to continue as a going concern.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

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

Basis of Consolidation

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

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 and cash flow assumptions regarding going concern considerations. Actual results could differ from estimates.

Reclassifications

Reclassification to accounts payable, related party and accrued expenses related, related party has been made to the 2021 audited consolidated financial statements to conform to the 2022 audited consolidated financial statement presentation. These reclassifications had no effect on net loss or cashflows as previously reported.

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 Milestone Medical, Inc.

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.

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, 2022, and 2021 advances to contractors was $75,686 and $34,383 respectively.

Equipment, net

Equipment, net is recorded at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, which range from two to seven years. The depreciation expense for the years ended December 31, 2022, and 2021 was approximately $4,075 and $7,312, 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 The Company accounts for any shipping and handling activities related to contracts with customers as fulfillment costs which are included in cost of products sold in the consolidated statements of operations.

Disaggregated Revenue Information

	2022		2021	
Domestic: US				
Instruments	$	7,500	$	-
Handpieces		25,250		35,200
Accessories		-		1,300
Grand Total	$	32,750	$	36,500
International: Rest of World				
Instruments	$	-	$	70,000
Handpieces		20,000		44,900
Accessories		-		800
Grand Total	$	20,000	$	115,700
Total Product Sales	**$**	**52,750**	**$**	**152,200**

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.

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.

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 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 adoption of this standard did not have a material effect on consolidated financial statement presentation.

NOTE 4 - INVENTORIES:

Inventories consist of the following:

	December 31, 2022	December 31, 2021
Inventories consists of the following:		
Epidural instruments, net reserve	$ 232,153	$ 726,130
Epidural instruments – Trainer	1,626	1,626
Intra-articular instruments, net reserve	-	-
Epidural instruments disposables	100,344	291,840
Component parts and other materials	69,124	101,202
Component parts and other materials - Trainer	1,214	1,231
Total	$ 404,461	$ 1,122,029

The Company has an inventory reserve for epidural instruments and handpieces for approximately $582,000 as of December 31, 2022. There is a full reserve for all intra-articular instrument which was approximately $450,000 as of the years ended December 31, 2022, and 2021. The Company reserved for the Medical inventory due to the delay in commercialization of epidural and intra-articular medical instruments.

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.

As of December 31, 2022, and 2021, $2.8 million is outstanding as due to - related party on the accompany Consolidated Balance Sheets. Additionally, as of December 31, 2022, and 2021, the Company owes accrued interest on the line of credit of approximately $676,000 and $585,000, 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.

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 $2,600 and $6,900 for the years ended December 31, 2022, and 2021, respectively.

Also, as of December 31, 2022 and December 31, 2021, the Company owes approximately $22.7 million and $18.5 million, respectively, to Milestone Scientific, Inc. for expenses and cash advances paid on the Company's behalf. As of the financial report issuance date, Milestone Scientific, Inc. has not demanded payment from the Company and these advances bear no interest.

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, 2022, commission under this agreement was approximately $0, and approximately $800 in 2021.

NOTE 6 – CONCENTRATIONS AND SUPPLY UNCERTAINTIES:

Certain COVID-19 pandemic-related impacts were experienced by our businesses during 2022 and may continue to do so for an indeterminable period thereafter. These included supply chain delays for some of our products which are manufactured in China and supply shortages in key components in our dental products. Future resurgences in COVID-19 infections or other new viral outbreaks may affect the prioritization of non-acute versus acute healthcare utilization, which may temporarily weaken future demand for certain of our products and increase the demand for other of our products. Also, adverse macroeconomic conditions may worsen if governments impose future restrictions, such as lockdowns or quarantine requirements, in order to control infection rates associated with COVID-19 or other viruses.

Additionally, the pandemic escalated challenges that existed for global healthcare systems prior to the pandemic, including budget constraints and staffing shortages, particularly shortages of nursing staff. Changes in the ways healthcare services are delivered, including the transition of more care from acute

to non-acute settings and increased focus on chronic disease management, may place additional financial pressure on hospitals and the broader healthcare system. Healthcare institutions may take actions to mitigate any persistent pressures on their budgets and such actions could impact the future demand for our products.

We are experiencing supply delays and shortages due to the disruptions the ongoing COVID-19 pandemic is having on the global supply chain, especially with respect to goods from China. The ongoing COVID-19 pandemic has resulted in significant disruption to the operations of certain suppliers in China and the related transportation of their goods to the United States that are parts of our global supply chain. We have been able to make alternative delivery arrangements for limited quantities of goods, at increased cost. While we have not yet experienced material shortages in supply as a result of these disruptions and our alternative delivery arrangements, if they were to be prolonged or expanded in scope, there could be resulting supply shortages which could impact our ability to have manufactured and delivered our products to the United States and, ultimately to our customers. Accordingly, such supply shortages and delivery limitations could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

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, 2022, and 2021.

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

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

We had three customers that accounted for 14%, 30% and 38% amount of revenue respectively for the year ended December 31, 2022. We had four customers that accounted for 13,% 14%, 14% and 22% amount of revenue respectively for the year ended December 31, 2021.

We had one customers that accounted for 100% of accounts receivable, as of December 31, 2022. We had two customers that accounted for 10%, and 78% amount of accounts receivable, respectively as of December 31, 2021.

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, 2022, and 2021, the Company was allocated stock compensation expense of approximately $51,000 and $174,000, respectively from Milestone Scientific Inc. The Company allocated approximately $54,000 and $330,000 of unrecognized compensation cost related to non-vested stock options for the years ended December 31, 2022, and 2021 respectively, which Milestone Medical expects to recognize these costs over a weighted average period of 1.98 years and 1.57 years, respectively.

As of December 31, 2022, there were 49,616 restricted shares granted and deferred under the terms of an employment agreements with the Territory Manager of Milestone Scientific, Inc. Such shares will be issued to each party upon completion of 2 years of employment. For the twelve months ending December 31, 2022 the Company recognized negative stock compensation of approximately $20,000 due to termination of non-vested employees in the current period. For the twelve months ending December 31, 2021 the Company recognized stock compensation expense of approximately $70,000. As of December 31, 2022, the total unrecognized stock compensation expense was $37,500 related to non-vested restricted stock awards, which the Company expects to recognize over an estimated weighted average period of 1.03 years.

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 $200,000 and $125,000 related to the US Asian Consulting Group, LLC for the year ended December 31, 2022, and 2021.

NOTE 9 – INCOME TAXES:

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.

On December 31, 2022, and 2021, 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 2019, 2020 and 2021 years are subject to audit by federal and state jurisdictions.

NOTE 10– SUBSEQUENT EVENTS:

After December 31, 2022 Milestone Scientific, Inc. has advanced Milestone Medical approximately $275,000 to support the commercialization process for the epidural instrument and other expenses necessary for the day-to-day operations of the Company.

6. REPORT ON MILESTONE MEDICAL INC. AND SUBSIDIARY'S ACTIVITIES IN YEAR 2022

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. As of December 31, 2022, the Issuer employed three (3) full time employees and nine (9) persons allocated from the parent company (Milestone Scientific Inc.) converted into full-time equivalents ("FTEs"). The Company has expanded its medical sales team in 2021 and 1Q 2022 and will continue to promote direct marketing support to hospitals and pain clinics throughout the world during 2022. However, during 2nd Quarter of 2022, the Company reduced its sales team in half due to an increase in costs not off-set by the revenues and further reduced its sales team in the 3rd Quarter of 2022. The Company is currently concentrating on certain territories in the USA.

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. Overall, the response from both hospitals and physicians is positive and the Company is in several trials across the country that have the potential to convert to additional commercial orders later this year.

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.

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

On April 11, 2022, the Company announced on ESPI/3/2022 that it has commenced sales of its CompuFlo Epidural and CathCheck Verification System disposables to a leading northeast medical center in the U.S. The name of the hospital cannot be disclosed for confidentiality reasons.

On May 27, 2022, the Company announced on ESPI/4/2022 that it has commenced sales of its CompuFlo Epidural instrument disposables at a leading veterinary and academic institution. The veterinary institution has initially begun using the CompuFlo Epidural instrument for maxillary nerve block procedures in horses with plans to expand into epidural procedures. The name of the veterinary institution cannot be disclosed for confidentiality reasons.

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

Milestone Medical, Inc.

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

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

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

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

On August 2, 2022, the Company announced on ESPI/9/2022 that has commenced sales of the CompuFlo Epidural system to the University of Scranton in Pennsylvania, USA for incorporation into the Student Registered Nurse Anesthesia (SRNA) program.

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

On August 18, 2022, The Company announced on ESPI/11/2022 that following a successful evaluation, it has commenced sales of its CompuFlo® Epidural disposables to UofL Health (University of Louisville), a leading academic health system based in Louisville, Kentucky. UofL Health owns and operates six hospitals and four medical centers, providing patient care to more than 1.5 million patients each year in the state of Kentucky. UofL Health has begun implementing the CompuFlo Epidural System for obstetric anesthesia, acute pain, and chronic pain within its labor and delivery (L&D), operating room (OR) and pain clinic teams.

6.1. Description of basic exposures and risks

The Issuer, in 2022, 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, 2022, cash on hand was approximately $20,288 with negative working capital of approximately $25.8 million.

   As of December 31, 2022, the Company does not have sufficient cash to meet all its anticipated obligations for the next twelve months from the financial statement release date. These factors raise substantial doubt about the Company's ability to continue as a going concern.

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 2023. 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 $620,000 for the year ended December 31, 2022, from $1.4 million for the year ended December 31, 2021. The decrease in total assets compared to the year ended December 31, 2021 was mainly due to the decrease in Inventories, net by $717,568.

The cash balance of $20,288 is a critical issue for the Company moving into 2023. 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)

	2022	2021
Current Assets	**$ 616,989**	**$ 1,366,053**
Cash	20,288	35,448
Accounts receivable	650	14,650
Prepaid expenses and other current assets	115,904	159,543
Inventories	404,461	1,122,029
Advances to contractors	75,686	34,383
Equipment, net	3,383	7,458
TOTAL ASSETS	**$ 620,372**	**$ 1,373,511**

Source: The Issuer

During 2022, 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 2023. For the years ended December 31, 2022, and 2021, 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)

	2022	2021
Current Liabilities	**$ 26,456,172**	**$ 22,355,223**
Accounts payable and accrued expenses	243,153	449,837
Accrued interest due to the parent	676,134	585,135
Payable to Milestone Scientific, Inc.	25,536,885	21,320,251
TOTAL LIABILITIES	**$ 26,456,172**	**$ 22,355,223**

Source: The Issuer

The $26,456,172 and $22,355,223 on December 31, 2022, and 2021 includes $2.8 million of advances on a line of credit established by Milestone Scientific Inc in both years, and approximately $23.4 million and $19.1 million for 2022 and 2021, 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)

	2022	2021
Common stock, par value $.0001; authorized 50,000,000 shares; 22,000,000 shares issued and outstanding at December 31, 2022 and December 31, 2021	2,200	2,200
Additional paid in capital	7,533,363	7,502,284
Accumulated deficit	(33,371,363)	(28,486,275)
TOTAL SHAREHOLDERS' DEFICIT	**$ (25,835,800)**	**$ (20,981,712)**

Source: The Issuer

Table 9: Basic liquidity ratios of the Company

	2022	2021
Current ratio (CR)	0.02	0.06
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

The Company has evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. As of December 31, 2022, the Company had an accumulated deficit of negative $25.8 million and has incurred a net loss of approximately $4.9 million and $4.2 million for the year ended December 31, 2022, and 2021 respectively.

As of December 31, 2022, the Company does not have sufficient cash to meet all its anticipated obligations for the next twelve months from the financial statement release date. These factors raise substantial doubt about the Company's ability to continue as a going concern. We may be forced to delay or reduce the scope of our operations and/or cease our operations if we are unable to obtain additional funding to support our current operating plan. We have identified conditions and events that raise substantial doubt about our ability to continue as a going concern.

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.

If physicians do not accept nor use our CompuFlo Epidural System, our ability to generate revenue from sales will be materially impaired.

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.

Our ability to commercialize our products will depend in part on the extent to which reimbursement will be available from governmental agencies, health administration authorities, private health maintenance organizations and health insurers and other healthcare payers.

Our ability to generate revenues from our products will be diminished if the products sell for inadequate prices or hospitals or physicians are unable to obtain adequate levels of reimbursement for the cost they incur in connection with the use of the product. Significant uncertainty exists as to the reimbursement status of newly approved healthcare products. Healthcare payers, including Medicare, are challenging the prices charged for medical products and services. Government and other healthcare payers increasingly attempt to contain healthcare costs by limiting both coverage and the level of reimbursement for products. Insurance coverage may not be available, or reimbursement levels may be inadequate, to cover the charges for the use of such product. If government and other healthcare payers do not provide adequate coverage and reimbursement for any of our products, market acceptance of such product could be reduced.

Prices in many countries, including many in Europe, are subject to local regulation and price controls. In the United States, where pricing levels for medical products, procedures and services are substantially established by third-party payors, including Medicare, if payors reduce the amount of reimbursement for a product, it may cause groups or individuals dispensing the product to discontinue use of the product, to substitute lower cost products even if the alternatives are less effective or to seek additional price-related concessions. These actions could have a negative effect on our financial results. The existence of direct and indirect price controls and pressures on our products could materially adversely affect our financial prospects and performance.

The COVID-19 pandemic has and may continue to adversely affect the Company's business. Additional factors could exacerbate such negative consequences and/or cause other materially adverse effects.

Certain COVID-19 pandemic-related impacts were experienced by our businesses during 2022 and may continue to do so for an indeterminable period thereafter. These included supply chain delays for some of our products which are manufactured in China and supply shortages in key components in our dental products. Future resurgences in COVID-19 infections or other new viral outbreaks may affect the prioritization of non-acute versus acute healthcare utilization, which may temporarily weaken future demand for certain of our products and increase the demand for other of our products. Also, adverse macroeconomic conditions may worsen if governments impose future restrictions, such as lockdowns or quarantine requirements, in order to control infection rates associated with COVID-19 or other viruses.

Additionally, the pandemic escalated challenges that existed for global healthcare systems prior to the pandemic, including budget constraints and staffing shortages, particularly shortages of nursing staff. Changes in the ways healthcare services are delivered, including the transition of more care from acute to non-acute settings and increased focus on chronic disease management, may place additional financial pressure on hospitals and the broader healthcare system. Healthcare institutions may take actions to mitigate any persistent pressures on their budgets and such actions could impact the future demand for our products.

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 $54,000 in research and development for the Epidural instruments in 2022, a decrease of approximately $26,000 over 2021.The decrease was due to specific instrument enhancements that were completed in in 2021.

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 2023. 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

(See page 9 for the audited financial statements)

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 2022.

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	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.

	investor rights, including dates of publication of periodic reports, planned General Meetings, opening of subscriptions, meetings with investors or analysts and expected dates of publication of analytical 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