UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-30728

PROTEO, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEVADA	88-0292249
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
2102 BUSINESS CENTER DRIVE, IRVINE, CALIFORNIA	92612
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(949) 253-4155
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant has submitted electronically and posted on its web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "an accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS	NUMBER OF SHARES OUTSTANDING
Common Stock, $0.001 par value	23,879,350 shares of common stock at May 4, 2015

PROTEO, INC.
AND SUBSIDIARY

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PROTEO, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 374,837	$ 781,988
Research supplies	252,555	282,076
Prepaid expenses and other current assets	228,825	31,805
	856,217	1,095,869
PROPERTY AND EQUIPMENT, NET	11,149	13,608
PATENTS	–	8,406
	$ 867,366	$ 1,117,883
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 107,380	$ 97,385
Deferred revenues	360,730	567,130
	468,110	664,515
LONG TERM LIABILITIES		
Accrued licensing fees	618,507	692,835
	618,507	692,835
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Non-voting preferred stock, par value $0.001 per share; 10,000,000 shares authorized; 723,590 shares issued and outstanding	724	724
Common stock, par value $0.001 per share; 300,000,000 shares authorized; 23,879,350 shares issued and outstanding	23,880	23,880
Additional paid-in capital	8,988,125	8,988,125
Accumulated other comprehensive income (loss)	(2,742)	105,585
Accumulated deficit	(9,229,238)	(9,357,781)
Total Stockholders' Deficit	(219,251)	(239,467)
Total Liabilities and Stockholders' Deficit	$ 867,366	$ 1,117,883

SEE ACCOMPANYING NOTES TO THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2015 AND 2014
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2015	2014
REVENUES	$ 174,072	$ –
EXPENSES		
General and administrative	47,072	44,873
Research and development	134,211	108,094
	181,283	152,967
LOSS FROM OPERATIONS	(7,211)	(152,967)
INTEREST AND OTHER INCOME, NET	135,753	4,612
NET INCOME (LOSS)	$ 128,542	$ (148,355)
BASIC AND DILUTED NET INCOME (LOSS) PER SHARE	$ 0.01	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	23,879,350	23,879,350
NET INCOME (LOSS)	$ 128,542	$ (148,355)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	(108,327)	(1,778)
COMPREHENSIVE INCOME (LOSS)	$ 20,215	$ (150,133)

SEE ACCOMPANYING NOTES TO THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2015 AND 2014
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 128,542	$ (148,355)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	1,701	2,766
Foreign currency transaction gain	(133,278)	(1,291)
Changes in operating assets and liabilities:		
Research supplies	(770)	(1,789)
Prepaid expenses and other current assets	(208,633)	2,056
Accounts payable and accrued liabilities	22,462	(83,673)
Deferred revenue	(151,517)	–
Deposit liability	–	137,055
NET CASH USED IN OPERATING ACTIVITIES	(341,493)	(93,231)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(663)	(1,735)
NET CASH USED IN INVESTING ACTIVITIES	(663)	(1,735)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(64,995)	(575)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(407,151)	(95,541)
CASH AND CASH EQUIVALENTS--BEGINNING OF PERIOD	781,988	456,310
CASH AND CASH EQUIVALENTS--END OF PERIOD	$ 374,837	$ 360,769

SEE ACCOMPANYING NOTES TO THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 (UNAUDITED)

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

BASIS OF PRESENTATION

The accompanying condensed consolidated balance sheet as of December 31, 2014, which has been derived from audited financial statements, and the accompanying interim condensed consolidated financial statements as of March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014, have been prepared by management pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial reporting. These interim condensed consolidated financial statements are unaudited and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments and accruals) necessary to present fairly the financial condition, results of operations and cash flows of Proteo, Inc. and its wholly owned subsidiary (hereinafter collectively referred to as the "Company") as of and for the periods presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Operating results for the three-month periods ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015, or for any other interim period during such year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted in accordance with the rules and regulations of the SEC, although the Company believes that the disclosures made are adequate to make the information not misleading. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 30, 2015.

NATURE OF BUSINESS

The Company is a clinical stage drug development company focusing on the development of anti-inflammatory treatments for rare diseases with significant unmet needs. The Company's management deems its lead drug candidate Tiprelestat (also known as Elafin) for intravenous use to be one of the most prospective treatments of acute postoperative inflammatory complications, in particular after esophageal cancer surgery. Elafin appears to be also a promising compound for the treatment of pulmonary arterial hypertension and for preventing complications of organ transplant. The clinical development is currently focused in Europe with the intention to receive the primary approval in Europe.

The products that the Company is developing, to the extent they are considered drugs or biologics, are governed by the Federal Food, Drug and Cosmetics Act (in the United States) and the regulations of State and various foreign government agencies. The Company's proposed pharmaceutical products to be used by humans are subject to certain clearance procedures administered by the above regulatory agencies.

Since its inception, the Company has primarily been engaged in the research and development of its proprietary product Elafin. The Company intends to seek the various governmental regulatory approvals for the marketing of Elafin. Management believes that none of its planned products will produce sufficient revenues in the near future. As a result, the Company intends to generate revenue by out-licensing and marketing activities. There are no assurances, however, that the Company will be able to develop such products, or if produced, that they will be accepted in the marketplace.

From time to time, the Company enters into collaborative arrangements for the research and development (“R&D”), manufacture and/or commercialization of products and product candidates. These collaborations may provide for non-refundable, upfront license fees, R&D and commercial performance milestone payments, cost sharing, royalty payments and/or profit sharing. The Company's collaboration agreements with third parties are generally performed on a “best efforts” basis with no guarantee of either technological or commercial success.

Proteo, Inc.'s common stock is currently quoted on the OTC QB under the symbol “PTEO.” Subsequent to the reorganization of the OTC markets, the application of the Company for continued trading on the OTCQB venture market place for early stage and developing companies was approved on May 7, 2015.

CONCENTRATIONS

The Company maintains substantially all of its cash in bank accounts at a German private commercial bank. The Company's bank accounts at this financial institution are presently protected by the voluntary "Deposit Protection Fund of The German Private Commercial Banks." The Company has not experienced any losses in these accounts.

The Company's operations, including research and development activities and most of its assets, are located in Germany. The Company's operations are subject to various political, economic, and other risks and uncertainties inherent in Germany and the European Union.

OTHER RISKS AND UNCERTAINTIES

The Company will require substantial additional funding for continuing research and development, obtaining regulatory approval, and for the commercialization of its products. Management plans to generate revenues from product sales, but there are no purchase commitments for any of the proposed products. Additionally, the Company may generate revenues from out-licensing activities. There can be no assurance that further out-licensing may be achieved or whether such will generate significant profit. In the absence of significant sales and profits, the Company may seek to raise additional funds to meet its working capital requirements through the additional placement of debt and/or equity securities. There is no assurance that the Company will be able to obtain sufficient additional funds when needed, or that such funds, if available, will be obtainable on terms satisfactory to the Company.

The Company's line of future pharmaceutical products being developed by its German subsidiary, to the extent they may be considered drugs or biologics, are governed by the Federal Food, Drug and Cosmetics Act (in the United States) and by the regulations of State agencies and various foreign government agencies. There can be no assurances that the Company will obtain the regulatory approvals required to market its products. The pharmaceutical products under development will be subject to more stringent regulatory requirements because they are recombinant products for humans. The Company has no experience in obtaining regulatory clearance on these types of products. Therefore, the Company will be subject to the risks of delays in obtaining or failing to obtain regulatory clearance and other uncertainties, including financial, operational, technological, regulatory and other risks associated with an emerging business, including the potential risk of business failure.

The Company is exposed to risks related to fluctuations in foreign currency exchange rates. Management does not utilize derivative instruments to hedge against such exposure.

PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements have been prepared in accordance with GAAP and include the accounts of Proteo, Inc. and Proteo Biotech AG ("PBAG"), its wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

RESEARCH SUPPLIES

The Company capitalizes the cost of supplies used in its research and development activities. Such costs are expensed as used to research and development expenses in the accompanying condensed consolidated statements of operations.

FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standard Board's ("FASB") Accounting Standards Codification ("Codification") requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. Management believes that the carrying amounts of the Company's financial instruments, consisting primarily of cash, accounts payable and accrued expenses, approximate their fair value at March 31, 2015 due to their short-term nature. The Company does not have any assets or liabilities that are measured at fair value on a recurring basis and, during the three-month periods ended March 31, 2015 and 2014, did not have any assets or liabilities that were measured at fair value on a non-recurring basis.

REVENUE RECOGNITION

It is the Company's intent to recognize revenues from future product sales at the time of product delivery. The Company believes that once significant operating revenues are generated, the Company's revenue recognition accounting policies will conform to the Revenue Recognition Topic of the Codification.

As more fully described in Note 6, amounts received under the Development Agreement are initially deferred and recognized as revenue over the projected performance period under the Development Agreement in direct relation to development expenses incurred.

RECLASSIFICATIONS

Certain reclassifications have been made to prior period financial statements to conform to current period presentation. Deferred revenues at both December 31, 2014 and March 31, 2015 are estimated to be realizable during the year-ended December 31, 2015. As such, the December 31, 2014 deferred revenues balance has been reclassified from long term liabilities to current liabilities in the accompanying condensed consolidated financial statements. This reclassification had no impact on accumulated deficit, net loss, or comprehensive loss as of and for the year ended December 31, 2014.

SIGNIFICANT RECENT ACCOUNTING PRONOUNCEMENTS

In the opinion of management, neither the FASB, its Emerging Issues Task Force, the AICPA, nor the SEC have issued any additional accounting pronouncements since the Company filed its December 31, 2014 Form 10-K that are expected to have material impact on the Company's future consolidated financial statements.

2. INCOME (LOSS) PER COMMON SHARE

Basic income (loss) per common share is computed based on the weighted average number of shares outstanding for the period. Diluted income (loss) per common share is computed by dividing net loss by the weighted average shares outstanding assuming all dilutive potential common shares were issued. There were no dilutive potential common shares outstanding at March 31, 2015 and 2014. As such, basic and diluted income (loss) per common share equals net income (loss), as reported, divided by the weighted average number of common shares outstanding for the respective periods.

3. FOREIGN CURRENCY TRANSLATION

Assets and liabilities of the Company's German operations are translated from Euros (the functional currency) into U.S. dollars (the reporting currency) at period-end exchange rates; equity transactions are translated at historical rates; and income and expenses are translated at weighted average exchange rates for the period, which approximates the exchange rate at the dates on which those elements were recognized. Net foreign currency exchange translation gains or losses are excluded from the results of operations but are included in other comprehensive income and accumulated in a separate component of stockholders' equity. Accumulated comprehensive income (loss) approximated ($3,000) at March 31, 2015 and $106,000 at December 31, 2014.

4. FOREIGN CURRENCY TRANSACTIONS

The Company records payables related to a certain licensing agreement (see Note 7) in accordance with the Foreign Currency Matters Topic of the Codification. Quarterly commitments under such agreement are denominated in Euros. For each reporting period, the Company translates the quarterly amount to U.S. dollars at the exchange rate effective on that date. If the exchange rate changes between when the liability is incurred and the time payment is made, a foreign exchange transaction gain or loss results.

Additionally, the Company computes a foreign exchange transaction gain or loss at each balance sheet date on all recorded transactions denominated in foreign currencies that have not been settled. The difference between the exchange rate that could have been used to settle the transaction on the date it occurred and the exchange rate at the balance sheet date is the gain or loss that is currently recognized. The Company recorded foreign currency transaction gains of approximately $133,000 and $1,000 for the three-month periods ended March 31, 2015 and 2014, respectively, which are included in interest and other income (expense), net in the accompanying condensed consolidated statements of operations and comprehensive loss.

5. PREPAID EXPENSES

During the three-months ended March 31, 2015, PBAG commissioned the manufacturing of Elafin for an upcoming clinical study. The manufacturing commenced subsequent to March 31, 2015. Initial payments made by PBAG to the manufacturer for such manufacturing and to another party for clinical trial services have been included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets.

6. DEFERRED REVENUES

On May 16, 2014, the Company entered into a funding and revenue sharing agreement (the "Development Agreement") with an unrelated third party (disclosed in the Company's 8-K filing to the SEC as of May 22, 2014). The third party will fund operational expenses of the Company as well as the development costs related to the clinical development program aimed at receiving regulatory approval for the use of Elafin for the intravenous treatment of patients undergoing esophageal cancer surgery in the European Union. Total payments by the third party to the Company shall not exceed 3.5 million Euros. Revenue participation right payments will be made to the party when and if Elafin is commercialized within the European Union for the intravenous treatment of patients undergoing esophageal cancer surgery.

The Development Agreement will terminate after the earlier of 15 years or 10 complete and consecutive years after the first regulatory approval of Elafin for this indication. Under no circumstances are the payments refundable, even if the drug is never commercialized. As no revenue sharing payments will be made unless Elafin is commercialized, the payments received are being accounted for as payments for the Company to use reasonable efforts to complete development, obtain regulatory approvals, and to commercialize Elafin (i.e. the performance period). Therefore, amounts received from the party will be initially deferred and recognized as revenue over the projected performance period under the Development Agreement in direct relation to expenses incurred. For the three-months ended March 31, 2015, the Company recognized approximately $174,000 of development income under the Development Agreement, which is included in revenues in the accompanying condensed consolidated statements of operations. Deferred revenues approximated $361,000 at March 31, 2015.

7. ACCRUED LICENSING FEES

On December 30, 2000, the Company entered into a thirty-year license agreement, beginning January 1, 2001 (the "License Agreement"), with Dr. Oliver Wiedow, MD, the owner and inventor of several patents, patent rights and technologies related to Elafin. Pursuant to the License Agreement, the Company agreed to pay Dr. Wiedow an annual license fee of 110,000 Euros for a period of six years. The License Agreement was amended in December 2008 to waive non-payment defaults and to defer the due dates of each payment. In July 2011, in February 2012, February 2013, and again in June 2014, Dr. Wiedow agreed in writing to waive the non-payment defaults and agreed to defer the due dates of the payments for the outstanding balance of 570,000 Euro. As a result, the outstanding balance of 570,000 Euros is due on April 30, 2018. While the total amount owed does not currently bear interest, the Amendment provides that any late payment shall be subject to interest at an annual rate equal to the German Base Interest Rate plus six percent. In the event that the Company's financial condition improves, the parties can agree to increase and/or accelerate the payments. Dr. Wiedow, who is a director of the Company, beneficially owned approximately 27% of the Company's outstanding common stock as of March 31, 2015.

At March 31, 2015, the Company has accrued approximately $619,000 of licensing fees payable to Dr. Wiedow, which are included in long-term liabilities. This is a decrease over the respective accrual of approximately $693,000 at December 31, 2014, which was solely due to changes in foreign currency exchange rates.

8. INCOME TAXES

The Company accounts for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Management evaluates the need to establish a valuation allowance for deferred tax assets based upon the amount of existing temporary differences, the period in which they are expected to be recovered and expected levels of taxable income. A valuation allowance to reduce deferred tax assets is established when it is "more likely than not" that some or all of the deferred tax assets will not be realized. Management has determined that a full valuation allowance against the Company's net deferred tax assets is appropriate.

There is no material income tax expense recorded for the periods ended March 31, 2015 and 2014, due to the Company's net losses and related changes to the full valuation allowance for deferred tax assets.

As of March 31, 2015, the Company has a deferred tax asset and an equal amount of valuation allowance of approximately $2,115,000, relating primarily to federal and foreign net operating loss carryforwards of approximately $633,000 and $1,305,000, respectively, and temporary differences related to the recognition of accrued licensing fees of approximately $177,000.

Based on management's evaluation of uncertainty in income taxes, the Company concluded that there were no significant uncertain tax positions requiring recognition in its financial statements or related disclosures. Accordingly, no adjustments to recorded tax liabilities or accumulated deficit were required. As of March 31, 2015, there were no increases or decreases to liability for income taxes associated with uncertain tax positions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company intends that such forward-looking statements be subject to the safe harbors created by such statutes. The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties. Accordingly, to the extent that this Quarterly Report contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that the Company's actual financial condition, operating results and business performance may differ materially from that projected or estimated by management in forward-looking statements.

Such differences may be caused by a variety of factors, including but not limited to adverse economic conditions, intense competition, including intensification of price competition and entry of new competitors and products, adverse federal, state and local government regulation, inadequate capital, unexpected costs and operating deficits, increases in general and administrative costs and other specific risks that may be alluded to in this Quarterly Report or in other reports issued by the Company. In addition, the business and operations of the Company are subject to substantial risks that increase the uncertainty inherent in the forward-looking statements. The inclusion of forward looking statements in this Quarterly Report should not be regarded as a representation by management or any other person that the objectives or plans of the Company will be achieved.

While the Company currently generates a limited amount of revenue under a development agreement, which will not materially exceed its operating expenses, the Company does not expect to report any significant operating revenue until the successful development and marketing of its planned pharmaceutical and other biotech products.. Additionally, after the launch of the Company's products, there can be no assurance that the Company will generate positive cash flow and there can be no assurances as to the level of revenues, if any, the Company may actually achieve from its planned principal operations.

OVERVIEW

Proteo is a clinical stage drug development company focusing on the development of anti-inflammatory treatments for rare diseases with significant unmet needs. The Company's management deems its lead drug candidate Elafin for intravenous use to be one of the most prospective treatments of acute postoperative inflammatory complications, in particular after esophageal cancer surgery. Elafin also appears to be a promising compound for the treatment of pulmonary arterial hypertension and for preventing complications of organ transplantation.

The Company's success will depend on its ability to prove that Elafin is well tolerated by humans and its efficacy in the indicated diseases in order to demonstrate a favorable benefit/risk balance. There can be no assurance that the Company will receive government approval for the use of Elafin in further clinical trials or its use as a drug in any of the intended applications.

Proteo has obtained Orphan drug designations within the European Union for the use of Elafin for the treatment of pulmonary arterial hypertension and chronic thromboembolic pulmonary hypertension as well as for the treatment of esophageal cancer. The latter indication, especially the postoperative inflammation, the main reason for postoperative morbidity, will be targeted by Elafin treatment. Within the United States, Proteo has obtained Orphan drug designations for the use of Elafin for the treatment of pulmonary arterial hypertension as well as for the prevention of inflammatory complications of transthoracic esophagectomy.

For the development of its lead product Elafin, Proteo has established a network of globally renowned research institutes, physicians and hospitals in Europe and the US. The development of Elafin has been widely supported by public grants. Worldwide leading funding bodies, such as the American NIH and the British MRC, supported preclinical and clinical studies on Elafin with high volume grants.

Proteo currently focuses on the clinical development of Elafin for prophylactic treatment of acute postoperative inflammatory complications in the surgical therapy of esophageal cancer. Clinical trials for further indications and preclinical research into new fields of application are conducted in cooperation with third parties.

The tolerability of Elafin in healthy male subjects was demonstrated in a Phase I clinical single dose escalating study. A placebo-controlled Phase II clinical trial on the effect of Elafin on the postoperative inflammatory reactions and postoperative clinical course was conducted in patients undergoing transthoracic esophagectomy for esophageal cancer. The trial showed that Elafin had a positive effect on the period of recovery: 63 percent of the Elafin-treated patients required only one day of postoperative intensive care, while all patients in the placebo group needed several days of postoperative intensive medical care.

A further Phase II study, EMPIRE (Elafin Myocardial Protection from Ischaemia Reperfusion Injury), an investigator initiated trial at Edinburgh University, was conducted to investigate the safety and efficacy of Elafin in coronary bypass surgery. In November 2014, the NHS Lothian's Edinburgh Heart Centre completed final analysis of data from the EMPIRE study with Proteo's drug candidate Elafin for prevention of myocardial injury after coronary artery bypass grafting (CABG). The study confirmed the favorable safety profile of Elafin. No drug related adverse events and no evidence of excessive bleeding, cardiovascular complications or renal dysfunction was reported in this critical patient population. Statistically significant reduction of the area under the curve for plasma troponin I concentration profile over the first 48 hours could not be shown in this trial. Post-hoc analysis identified significantly reduced troponin I plasma concentrations by 41% within the first 6 hours after Elafin treatment. An unexpected skewed distribution of troponin I plasma concentrations in the patient groups was observed in the study and consequently the study turned out to be underpowered. This contradicts observations from an earlier UK study in CABG surgery patients which was taken as a reference for the study design and sample size calculation. This study provides sufficient information for design of an adequately powered follow up study with an indication that multiple doses in the postoperative period may be more effective. Results from this study contribute to our understanding of the therapeutic potential of Elafin and the time course of reperfusion injury in CABG. The results confirm the favorable safety profile of Elafin and additionally there are indications that Elafin has a beneficial effect on the protection of heart muscle tissue as long as Elafin is present in the blood.

In February 2014, the Company received Protocol Assistance (scientific advice for orphan medicines) from the Committee for Medicinal Products for Human Use (CHMP) at the European Medicines Agency (EMA) with respect to the strategy for further clinical development and marketing authorization of Elafin for the prophylactic treatment of postoperative complications after resection of esophageal cancer.

In May 2014, our subsidiary entered into an agreement with an unrelated third party (the "Development Agreement"). Pursuant to the Development Agreement, the party has agreed to support the development of the Company's orphan medicinal product Tiprelestat ("Elafin") by providing certain funding to the Company to assist with activities related to research, clinical testing, manufacturing, and preparation and submission of applications for regulatory approvals. The party made upfront payments to the Company and will make ongoing monthly payments toward the development of Elafin, which will provide the Company with total funds of EURO 3.5 million (approximately $4.8 million). In exchange, we will pay the party a share of the net sales of Elafin within the European Union, subject to an aggregate maximum cap. All payments received are non-refundable (see Note 6 to the accompanying condensed consolidated financial statements).

In the third quarter 2014, our subsidiary signed a LOA with a CRO for conducting a pivotal clinical trial with Elafin for the prophylactic treatment of acute postoperative complications after resection of esophageal cancer ("POSTCOM TRIAL"). The final contract was signed in January 2015. We plan to conduct the POSTCOM TRIAL at up to 10 sites in the European Union and it is expected to enroll 80 patients. In addition, our subsidiary commissioned the GMP manufacturing of the study drug.

In March 2015, we announced the publication of new results from a group of researchers lead by Mark Nicolls at the Stanford School of Medicine which demonstrate that Elafin and cyclosporine A act synergistically to reduce the development of irreversible damage to transplanted lung tissue in an animal model.

RESULTS OF OPERATIONS

REVENUES

Revenue reported in 2015 represent income recognized under the Development Agreement, as described above and in Note 6 to the accompanying consolidated financial statements. The Company entered into the Development Agreement during May 2014. The Company received approximately 20,000 Euros ($23,000) for the three-month period ended March 31, 2015, which is non-refundable. No revenue sharing payments will be made by the Company unless Elafin is commercialized. Accordingly, the payments received are being accounted for as payments for the Company to use reasonable efforts to complete development, obtain regulatory approvals, and to commercialize Elafin. Therefore, the amounts received were deferred and will be recognized as revenue over the projected performance period under the agreement. Approximately $174,000 was recognized as development income during the three-month period ended March 31, 2015. There was no such agreement during the similar period in 2014, and therefore no revenue recognized during that period.

OPERATING EXPENSES

The Company's operating expenses for the three-month period ended March 31, 2015 approximated $181,000, an increase of approximately $28,000 over the same period of the prior year. General and administrative expenses (mostly professional and legal fees) for the three-month period increased $2,000. Research and development expenses increased $26,000 over the same period. The increase in research and development expenses was primarily due to increases to research related expenditures in preparation for the POSTCOM TRIAL in 2015.

INTEREST AND OTHER INCOME (EXPENSE)

Interest and other income (expense), net for the three-month periods ended March 31, 2015 increased by approximately $131,000 over the same period in 2014. The increases are driven primarily by foreign currency transaction gains during 2015, due to a strengthening of the U.S. Dollar compared to the Euro, in excess of the gains during the similar period in 2014. Foreign currency transaction gains were primarily due to unrealized gains on accrued licensing fees related to the Licensing Agreement, which is denominated in Euros.

INCOME TAXES

There is no material income tax expense recorded for the periods ended March 31, 2015 and 2014, due to the Company's net losses. The Company has a deferred tax asset of approximately $2,115,000 at March 31, 2015 relating primarily to tax net operating loss carryforwards, as discussed below, and temporary differences related to the recognition of accrued licensing fees. Full valuation allowances have been established against these deferred tax assets as it is likely that the Company will not be able to utilize them.

The Federal NOL expires in varying years through 2025. The foreign net operating loss relates to Germany and does not have an expiration date. In the event the Company were to experience a greater than 50% change in ownership, as defined in Section 382 of the Internal Revenue Code, the utilization of the Company's Federal NOLs could be restricted.

FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

The Company experienced other comprehensive losses of approximately $108,000 and $2,000 related to foreign currency translation adjustments during the three-month periods ended March 31, 2015 and 2014, respectively. The changes are primarily due to a fluctuating U.S. Dollar (our reporting currency) compared to the Euro (our functional currency) during the periods.

LIQUIDITY AND CAPITAL RESOURCES

Proteo is a holding company that owns 100% of Proteo Biotech AG, its operating subsidiary in Germany (the “Subsidiary”). There were no undistributed earnings of the Subsidiary to repatriate to the U.S. parent (i.e. the Company).

In June 2014, Dr. Wiedow agreed in writing to waive any non-payment defaults under the License Agreement and to defer all current payments to April 2018. See Note 7 to the condensed consolidated financial statements included elsewhere for the payment terms under the License Agreement.

During the three-month period ended March 31, 2015 the Company received payments approximating $23,000 in connection with the Development Agreement.

The Company has cash approximating $375,000 as of March 31, 2015 to support current and future operations. This is a decrease of $407,000 over the December 31, 2014 cash balance of approximately $782,000. Such cash is held by the Subsidiary in Germany in Euros. The Company does not intend to repatriate any amount of this cash to the United States as it will be used to fund the Subsidiary’s continued operations. Management believes that the Company will generate sufficient revenues under the Development Agreement to fund its development activities over the next few years. Given the Company's current cash on hand and anticipated collections under the Development Agreement, management believes the Company has sufficient cash on hand to cover its operations for the next 2 to 3 years. As for periods beyond the next 3 years, the Company expects to continue to direct the majority of research and development expenses towards the development of Elafin, although it is extremely difficult to reasonably estimate all future research and development costs associated with Elafin due to the number of unknowns and uncertainties associated with preclinical and clinical trial development.

These unknown variables and uncertainties include, but are not limited to:

- the uncertainty of future clinical trial results;
- the uncertainty of the ultimate number of patients to be treated in any current or future clinical trial;
- the uncertainty of the applicable regulatory bodies allowing our studies to move forward;
- the uncertainty of the rate at which patients are enrolled into any current or future study. Any delays in clinical trials could significantly increase the cost of the study and would extend the estimated completion dates;
- the uncertainty of terms related to potential future partnering or licensing arrangements;
- the uncertainty of protocol changes and modifications in the design of our clinical trial studies, which may increase or decrease our future costs; and
- the uncertainty of our ability to raise additional capital to support our future research and development efforts.

As a result of the foregoing, the Company's success will largely depend on its ability to generate revenues from outside licensing activities and secure additional funding through the sale of its Common/Preferred Stock and/or debt securities. There can be no assurance, however, that the Company will be able to generate revenues from outside licensing activities and/or to consummate debt or equity financing in a timely manner, or on a basis favorable to the Company, if at all.

RESEARCH SUPPLIES

The Company’s research supplies decreased from $282,000 at December 31, 2014 to $253,000 at March 31, 2015, primarily due to a strengthening of the US Dollar compared to the Euro. Research supplies are held in Germany by the Subsidiary.

PREPAID EXPENSES

The Company’s prepaid expenses and other current assets increased from $32,000 at December 31, 2014 to $229,000 at March 31, 2015. This increase was primarily due to prepayments made during the three-months ended March 31, 2015 for upcoming clinical trial services and manufacturing of Elafin for such trials.

DEFERRED REVENUES

As described above, the Company entered into the Development Agreement during the second quarter 2014. The Company received approximately 20,000 Euros ($23,000) for the three-month period ended March 31, 2015, which is non-refundable. No revenue sharing payments will be made unless Elafin is commercialized. Accordingly, the payment received is being accounted for as a payment for the Company to use reasonable efforts to complete development, obtain regulatory approvals, and to commercialize Elafin. Therefore, the amounts received were deferred and will be recognized as revenue over the projected performance period under the agreement. Approximately $174,000 was recognized as development income during the three month-period ended March 31, 2015. Deferred revenues had a translated balance of approximately $361,000 at March 31, 2015, a $206,000 decrease from the balance at December 31, 2014.

ACCRUED LICENSING FEES

Accrued licensing fees decreased from $693,000 at December 31, 2014 to $619,000 at March 31, 2015, due to a strengthening of the US Dollar compared to the Euro. The Licensing Agreement is denominated in Euros, and the accrued licensing fee was 570,000 Euros at both March 31, 2015 and December 31, 2014.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not currently have any off balance sheet arrangements.

CAPITAL EXPENDITURES

None significant.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

A smaller reporting company ("SRC") is not required to provide any information in response to Item 305 of Regulation S-K.

ITEM 4. CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including to Birge Bargmann our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15 under the Exchange Act, our management, including Birge Bargmann our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2015. Based on that evaluation, Ms. Bargmann concluded that as of March 31, 2015, and as of the date that the evaluation of the effectiveness of our disclosure controls and procedures was completed, our disclosure controls and procedures were effective.

b) Changes in Internal Control Over Financial Reporting

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, has concluded there were no significant changes in our internal controls over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 1A. RISK FACTORS

Not required for SRCs.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibits:

31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PROTEO, INC.

Dated: May 13, 2015

By: /s/ Birge Bargmann
Birge Bargmann
Principal Executive Officer and Chief Financial Officer
(signed both as an Officer duly authorized to sign on behalf of the Registrant and Principal Financial Officer and Chief Accounting Officer)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Birge Bargmann, certify that:

1. I have reviewed this quarterly report on Form 10-Q (hereinafter referred to as "this report") of Proteo, Inc. (hereinafter referred to as "the registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting, and;

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2015

By: /s/ Birge Bargmann
Birge Bargmann
Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Birge Bargmann, certify that:

1. I have reviewed this quarterly report on Form 10-Q (hereinafter referred to as "this report") of Proteo, Inc. (hereinafter referred to as "the registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and;

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2015

By: /s/ Birge Bargmann
Birge Bargmann
Chief Financial Officer (Principal Accounting Officer)

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Proteo, Inc., a Nevada corporation (the "Company"), on Form 10-Q for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission (the "Report"), Birge Bargmann, Chief Executive Officer and Chief Financial Officer, does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss. 1350), that to her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2015
/s/ Birge Bargmann
Birge Bargmann
CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, OR OTHER DOCUMENT AUTHENTICATING, ACKNOWLEDGING, OR OTHERWISE ADOPTING THE SIGNATURE THAT APPEARS IN TYPED FORM WITHIN THE ELECTRONIC VERSION OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906, HAS BEEN PROVIDED TO PROTEO, INC. AND SUBSIDIARY AND WILL BE RETAINED BY PROTEO, INC. AND SUBSIDIARY AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

This Certification is being furnished pursuant to Rule 15(d) and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. This Certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.