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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2018.

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	**90-0019065**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

2102 Business Center Drive
Irvine, California 92612
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
None	None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $0.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☑
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the registrant's voting equity held by non-affiliates of the registrant, computed by reference to the closing sales price for the registrant's common stock on June 30, 2018, as reported on the OTCQB, was approximately $662,000. (1)

Number of shares of Common Stock outstanding as of April 4, 2019: 24,879,350

_____

(1) Excludes 12,852,359 shares of common stock held by directors and officers, and any stockholder whose ownership exceeds five percent of the shares outstanding as of June 30, 2018.

Documents Incorporated by Reference

None.

PROTEO, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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CAUTIONARY STATEMENT

This Annual Report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Since we are a "penny stock" company (see Item 5 of Part II of this Annual Report), the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995 does not apply to us. We note, however, that such forward-looking statements involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the "Company" (as that term is defined below) to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements contained in this Form 10-K. Such potential risks and uncertainties include, without limitation, Food and Drug Administration ("FDA") and other regulatory approval of our products, patent protection on our proprietary technology, product liability exposure, uncertainty of market acceptance, competition, technological change, and other risk factors detailed herein and in our other filings with the Securities and Exchange Commission (the "SEC"). Each forward-looking statement should be read in context with, and with an understanding of, the various other disclosures concerning our Company and our business made elsewhere in this annual report as well as other public reports filed with the SEC. The forward-looking statements are made as of the date of this Form 10-K, and we assume no obligation to update the forward-looking statements or to update the reasons actual results could differ from those projected in such forward-looking statements.

Such statements are based on management's beliefs and assumptions, and on information currently available to management. Forward-looking statements include the information concerning possible or assumed future results of operations of the Company set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements also include statements in which words such as "may," "should, " "expect," "anticipate," "intend," "plan," "believe," "estimate," "consider," “hopes,” “project,” “will,” their opposites and similar expressions are used.

Forward-looking statements are not guarantees of future performance. They should not be regarded as a representation by us or any other person that the objectives or plans will be achieved. The Company's future results and shareholder values may differ materially from those expressed in these forward-looking statements. Readers are cautioned not to put undue reliance on any forward-looking statements.

PART I

ITEM 1 - BUSINESS

COMPANY OVERVIEW- HISTORY

Proteo, Inc. is a Nevada corporation formed on December 18, 1992. Proteo, Inc. has one wholly owned subsidiary, Proteo Biotech AG ("PBAG"), a German corporation (Proteo, Inc. and PBAG are hereinafter collectively referred to as "we", "our", the "Company" and "Proteo"). The Company's common stock is currently quoted on the OTCQB under the symbol "PTEO".

DESCRIPTION OF BUSINESS

Proteo is a clinical stage drug development company and intends to develop, promote and market pharmaceuticals and other biotech products. The Company's focus is on the development of anti-inflammatory treatments for rare diseases with significant unmet needs.

The Company is engaged in the development of pharmaceuticals based on the body's own tools and weapons to fight inflammatory diseases. Specifically, we are focusing our research on the development of drugs based on the human protein Elafin. We strongly believe that Elafin will be useful in the treatment of post-surgery damage to tissue, complications resulting from organ transplantation, pulmonary hypertension, serious injuries caused by accidents, cardiac infarction, as well as other diseases.

Several countries have passed laws or made provisions in order to make the development of drugs for rare diseases financially attractive to the pharmaceutical industry. Pharmaceutical companies developing new medicaments for the treatment of rare diseases (orphan drugs) receive assistance for their approval and marketing. Orphan drugs are pharmaceuticals for the treatment of rare diseases, which do not affect more than 200,000 people in the United States of America (“US”) and about 250,000 people in the European Union according to the respective legislations. The advantage of developing orphan drugs is seen in the fact that companies can apply for an orphan drug designation in the US or European Union. This is associated with reduced fees to regulatory agencies and guarantees 7-year or 10-year marketing exclusivity in the US and European Union, respectively, on drug sales for the first company to obtain marketing approval of a particular drug in the respective regions.

In contrast to drug development for widespread diseases, orphan drug development costs can be significantly lower. Compared with other drugs, fewer requirements have to be met for the clinical trials, particularly those relating to the number of patients. The marketing expenses of orphan drugs are significantly lower, as treatment is generally conducted by a limited number of specialized doctors. The Company believes that it is favorable to target orphan drug indications in the field of post-surgery damage to tissue, organ transplantation, and pulmonary arterial hypertension.

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. In the latter indication, especially the acute 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.

Proteo’s pharmaceutical Elafin is a copy of a naturally occurring human anti-inflammatory substance. It is a natural antagonist of tissue destroying enzymes (proteases such as elastase and proteinase 3) that participate in the inflammatory mechanism of many diseases. Elafin’s ability to block the proteases that cause these undesirable effects makes it a promising drug for the treatment of various inflammatory diseases and posttraumatic inflammatory complications. The beneficial anti-inflammatory effects of Elafin have been demonstrated by numerous preclinical studies in animal models of human diseases.

For the development of 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 National Institutes of Health ("NIH") and the British Medical Research Council ("MRC"), supported preclinical and clinical studies on Elafin with high volume grants.

Proteo currently focuses on the clinical development of Elafin for treatment of acute postoperative inflammatory complications in the surgical therapy of esophageal cancer and for chronical treatment of pulmonary arterial hypertension ("PAH"). Clinical trials for PAH will be conducted in cooperation with third parties, such as investigator-initiated trials funded by NIH.

Our strategy and goal is to develop into a profitable company by developing drug candidates for orphan diseases with high medical needs. The company intends to generate revenue by out-licensing and marketing activities. To date, the Company has not had profitable operations. Furthermore, we do not anticipate that we will have profitable operations in the near future.

The products and technologies we intend to develop will require significant commitments of personnel and financial resources. However, we do not believe that any of our planned products will produce sufficient revenues in the next several years to support us financially. To achieve profitable operations, the Company, independently or in collaboration with others, must successfully identify, develop, manufacture, obtain regulatory approval for and market proprietary products.

CLINICAL DEVELOPMENT

After developing a production procedure for Elafin, the Company has initiated clinical trials to achieve governmental approval for the use of Elafin as a drug in Europe. For this purpose, the Company has contracted an experienced Contract Manufacturing Organization in Europe to produce Elafin in accordance with Good Manufacturing Practices ("GMP") standards as required for clinical trials.

Safety and Tolerability in Acute Therapy

In a double-blind, randomized and placebo-controlled Phase I single dose escalating trial Elafin was well tolerated by healthy human subjects. In two Phase II studies with patients undergoing surgery for esophageal cancer and with patients undergoing coronary artery bypass grafting the excellent tolerability was confirmed.

Esophageal Cancer Surgery

Esophageal cancer is a life-threatening disease, which is classified as an orphan disease. The majority of patients with esophageal cancer present at an advanced stage with extensive lymph node metastasis. The curative treatment for this malignancy is consequently aggressive, consisting of chemoradiotherapy followed by radical esophagectomy and lymphadenectomy. Due to extensive surgical and pulmonary trauma and the long duration of surgery, esophagectomy is one of the most invasive and traumatic forms of thoracic surgery, and is associated with severe postoperative complications. The complications affect the lungs, heart and kidney and are associated with pronounced postoperative morbidity requiring ICU care. These complications may progress into life-threatening multiple organ failures. Esophagectomy is also associated with an unacceptably high rate of hospital mortality, which contributes to the low survival rate of esophageal cancer.

No specific measures for treatment or prevention of acute postoperative inflammatory complications exist and therapy is generally aimed at vital organ support and management of symptoms according to the individual circumstances. There is a demand for treatments that support an earlier recovery from this surgical procedure, prevent postoperative complications and lead to a reduction in the somatic, psychological and social stress associated with intensive care. A treatment that reduces the risk of postoperative complications is thus likely to make radical therapeutic options, such as transthoracic esophagectomy, accessible to a greater number of patients, particularly older patients and those with comorbidities.

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.

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 acute postoperative complications after resection of esophageal cancer. In December 2015, the EMA pediatric committee ("PDCO") agreed that no investigations in pediatric populations will be performed, as children are almost not affected by this kind of cancer.

In January 2015, our subsidiary signed a contract with a contract research organization ("CRO") for conducting a pivotal clinical trial with Elafin for the prophylactic treatment of acute postoperative complications after resection of esophageal cancer ("POSTCOM TRIAL"). In addition, our subsidiary commissioned the GMP manufacturing of the study drug. When sufficient resources are available, we plan to conduct the POSTCOM TRIAL at up to 10 sites in the European Union and it is expected to enroll 80 patients.

Coronary Artery Bypass Surgery

Coronary artery bypass surgery is a surgical procedure performed to relieve angina pectoris and reduce the risk of death from coronary artery disease. It is the most frequently performed operation in cardiovascular surgery. Coronary artery bypass surgery is associated with a substantial risk of myocardial infarction, pulmonary and renal failure as well as stroke. No specific treatment exists which suppresses myocardial reperfusion injury and systemic inflammation occurring after coronary artery bypass surgery. Inflammation of cardiac muscle and the resulting muscle injury after a bypass operation remain a frequent and unresolved problem.

Since 2009, the Company has been cooperating with researchers at The University of Edinburgh with respect to the clinical development of Elafin for prevention of myocardial injury after coronary artery bypass surgery ("CABG"). Within the framework of collaboration, a clinical study (EMPIRE) was started in the third quarter of 2011. The EMPIRE (Elafin Myocardial Protection from Ischemia Reperfusion Injury) study, an investigator-initiated trial at Edinburgh University, was designed as a randomized, double-blinded and placebo-controlled study on 87 patients to investigate the therapeutic potential of a single preoperative Elafin dose on postoperative myocardial injury. This was measured by troponin I plasma concentration which is released by damaged heart muscle cells and its plasma concentration correlates with overall damage of the heart muscle. It was assumed that this treatment would lower the troponin I release over 48 hours. The study was performed under the supervision of the cardiologist Dr. Peter Henriksen at NHS Lothian's Edinburgh Heart Centre in association with The University of Edinburgh, one of the leading European universities in the area of cardiovascular research, and the Edinburgh Clinical Trials Unit. The study was funded by the MRC and Chest Heart & Stroke Scotland ("CHSS") with funding in excess of 500,000 GBP.

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 CABG. 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. Details of the EMPIRE trial have been published in 2015 (Alam et al., Heart 2015).

Safety and Tolerability in chronic therapy

In March 2019, the recruitment for a randomized, placebo-controlled, single-ascending-dose trial to evaluate the safety, tolerability, pharmacokinetics, and pharmacodynamics of Elafin in healthy adult subjects has been started. The designs of the Phase I clinical trial and a Phase II proof of concept trial in Pulmonary Arterial Hypertension (PAH) have been discussed with the FDA.

Pulmonary Arterial Hypertension

Pulmonary arterial hypertension ("PAH") is a life-threatening disease in which the pressure in a patient's pulmonary arteries becomes dangerously high. If untreated, patients have a 40% chance of surviving five years. While the advent of new therapies has likely improved the five-year survival rate to approximately 60%, there remains no specific cure for the disease. Despite the treatment progress during the last two decades there is still an unmet medical need for additional treatments. Proteo's Elafin blocks the activity of enzymes that are involved in pulmonary arterial hypertension. We believe that this makes Elafin a highly promising compound for the treatment of the disease with a new mode of action. In preclinical studies, the treatment with Elafin attenuated fully developed PAH in an animal model with a pronounced and significant improvement of the vascular pathology, parameters of pulmonary hemodynamics, and right ventricular function. In humans, the obliteration of distal pulmonary arteries leads to a severe increase in pulmonary artery pressure and subsequently to right ventricular dysfunction. Reversal of this obliteration is a key goal in the treatment of PAH. Proteo has received orphan drug designations for Elafin in the US for the treatment of pulmonary arterial hypertension and in the European Union for the treatment of pulmonary arterial hypertension and chronic thromboembolic pulmonary hypertension.

Since 2008, Proteo has been cooperating with a team of scientists at Stanford University in California lead by Dr. Marlene Rabinovitch for the preclinical development of Elafin in the field PAH. Marlene Rabinovitch has published over 150 scientific publications and is among the leading scientists worldwide in the area of pulmonary hypertension. For more than a decade, she has been studying the significance of Elafin in vascular disease. Since 2011, the NIH National Heart, Lung and Blood Institute (NHLBI) has been supporting the Elafin PAH development program at Stanford University with a five-year high-volume grant.

In November 2015, we had a Pre-Investigational New Drug Application ("PIND") Meeting with the US Food and Drug Administration ("FDA") for discussing the development strategies for Elafin to be used for the treatment of PAH within the framework of our collaboration with Dr. Rabinovitch at Stanford University. In September 2016 we signed an agreement with a third party within the framework of our collaboration with Marlene Rabinovitch for an animal toxicity program for the use of Elafin in the treatment of PAH.

At year's end 2015, our subsidiary has set up a three-year program for the development of a new subcutaneous formulation of Elafin for PAH treatment. We have submitted a grant application under a research and development grant program of the German State of Schleswig-Holstein covering up to 50% of total costs.

In June 2016, we announced that our subsidiary has been awarded a BFEI grant (the "Grant") from the German State of Schleswig-Holstein. The Grant has a volume of up to EUR 874,000 (approximately $1,047,000) and will be used for the R&D program to develop a new formulation of Proteo's lead compound Elafin. If effective, a new Elafin formulation would allow Proteo to extend the development pipeline to treat chronic diseases, such as pulmonary arterial hypertension (PAH).

In the first half of 2017 a respiratory safety pharmacology study and a 28-day toxicity study of Elafin subcutaneous dosage in rats were conducted by a third-party laboratory in the US. All tested doses were well tolerated.

In August 2017, the Company submitted a Drug Master File ("DMF") for Elafin to the FDA for use in clinical trials within the United States. The DMF supports the investigator-initiated Investigational New Drug ("IND") application of Marlene Rabinovitch at Stanford University. At the end of September 2017, the FDA has completed its safety review of the IND application and concluded that Marlene Rabinovitch at Stanford University may proceed with the proposed clinical investigation with Elafin for the treatment of pulmonary arterial hypertension. The conduct of a clinical Phase I trial (subcutaneous administration, 7 days in healthy volunteers) will be financed by a new NIH-funded project of our cooperation partners.

In September 2018, we entered into a Clinical Material Transfer Agreement with our cooperation partners within the framework of the clinical Phase I trial, and as well into a Material Transfer Agreement with a third-party laboratory in the US.

In March 2019, the recruitment of healthy individuals for the Phase I clinical trial in the U.S. to assess the safety and tolerability of subcutaneous administration of Elafin has been started. Proteo's research partners and investigators at Stanford University School of Medicine, Dr. Marlene Rabinovitch and Dr. Roham Zamanian, are responsible for the conduct of the investigator-initiated trial.

PRECLINICAL RESEARCH

Pulmonary Arterial Hypertension and Lung Diseases

Since 2008, the Company has been cooperating with scientists at Stanford University in California with respect to the preclinical development in the field of pulmonary arterial hypertension and ventilator-induced injury. The group presented preclinical data on the Company's drug substance Elafin at the Annual International Conference of the American Thoracic Society in New Orleans in May 2010. The data showed that the treatment with Elafin during mechanical ventilation largely prevented the inflammation in lungs of newborn mice. In August 2010 the cooperation agreement with Stanford University was extended by a further project. In the third quarter of 2011 the Stanford School of Medicine research team led by Marlene Rabinovitch, was awarded a five-year, $10.8 million grant from the National Heart, Lung and Blood Institute for the study of Elafin's ability to treat three distinct lung diseases. The grant has funded one preclinical project for each disease, all three of which are notoriously difficult to treat: pulmonary hypertension, ventilator-induced injury of the immature lung in premature babies, and chronic lung transplant rejection.

The group has published further evidence for the use of Elafin in the treatment of newborn infants whose lungs are incompletely developed in June 2012 (Am J Physiol Lung Cell Mol Physiol). In May 2013, the group presented the successful treatment of pulmonary arterial hypertension in an animal model at the Annual International Conference of the American Thoracic Society in Philadelphia. They demonstrated in a Sugen/Hypoxia animal model of pulmonary arterial hypertension that intravenous Elafin administration can improve the occlusion of pulmonary vessels, which is associated with a pronounced improvement of the disease. In February 2015, the group has published new results which demonstrate that Elafin and cyclosporine act synergistically to prevent the development of irreversible damage to transplanted lung tissue in an animal model (American Journal of Transplantation, 2015). In June 2015, Nickel et al. published results showing that Elafin reverses pulmonary hypertension via caveolin-1-dependent bone morphogenetic protein signaling in an animal model of PAH. The potential of Elafin in the treatment of PAH was confirmed in further investigations using explanted lung tissue from PAH patients (American Journal of Respiratory and Critical Care Medicine, 2015). In April 2017 the group has published data about Elafin' ability to induce new vessel formation in vitro employing native pulmonary arterial endothelial cells from PAH patients (Sa et al.. American Journal of Respiratory and Critical Care Medicine. 2017). In July 2018, Alcazar et al. from Stanford University published a new mechanism by which Elafin rescues lung cell survival in the lung of newborn mice subjected to mechanical ventilation (Alejandre Alcazar et al., American Journal of Respiratory Cell and Molecular Biology, 2018). The new experimental findings, coupled with the research group's observation of significantly increased plasma elastase levels in preterm infants with evolving neonatal chronic lung disease, support the notion that Elafin treatment might be effective in mitigating or preventing neonatal lung injury caused by mechanical ventilation.

Vascular damage

From 2010 to 2015, Proteo cooperated with the Molecular Imaging North Competence Center (MOIN CC) at the Christian-Albrechts-University of Kiel. Under this collaboration the effects of Elafin on vascular changes were examined in animal models. The federal state of Schleswig-Holstein has backing the creation and infrastructure of MOIN CC with 8.2 million EUR using funding from the federal state and the European Regional Development Fund ("ERDF"), as well as resources from the second German economic stimulus package. In 2013, the researchers demonstrated that Elafin administration prevented intima hyperplasia in a rat model of percutaneous transluminal balloon angioplasty. This indicates that Elafin might be effective in preventing restenosis after balloon angioplasty, which is a frequent complication of this intervention in humans. In 2016, the researchers published the results of a biodistribution study with radiolabeled Elafin (Kaschwich et al., Drug Metab Pharmacokinet 2016). They found high

accumulation in the kidney and concluded that this could be of great importance in the future as within the treatment of reperfusion injury of the kidney.

OUR SUBSIDIARY

PBAG, our wholly owned operating subsidiary, was formed in Kiel, Germany on April 6, 2000. PBAG is in the business of developing pharmaceutical products based on the human protein called Elafin and possible by-products thereof as well as related technologies. The members of the Management Board of PBAG are currently Birge Bargmann, Chief Executive Officer, and Juergen Paal, Chief Operating Officer. The members of the Supervisory Board of PBAG are Oliver Wiedow, MD, Florian Wegner and Florian Bargmann. PBAG had five employees (including management) as of December 31, 2018.

COLLABORATION WITH OTHER COMPANIES

The Company actively seeks further out-licensing partners, co-development partnerships and other collaborations with third parties to generate revenues and/or to expedite the Company's product development. However, there can be no assurance that the Company's efforts to build such alliances will be successful at any time or in any way.

COMPETITION

The market for our planned products and technologies is highly competitive, and we expect competition to increase. We compete with many other companies involved in the development of pharmaceuticals, most of which are larger than Proteo. Some of our anticipated competitors offer a broad range of equipment, supplies, products and technology, including many of the products and technologies contemplated to be offered by us. To the extent that customers exhibit loyalty to the supplier that first supplies them with a particular product or technology, our competitors may have an advantage over us with respect to such products and technologies. Additionally, many of our competitors have, and will continue to have, greater research and development, marketing, financial and other resources than us and, therefore, represent and will continue to represent significant competition in our anticipated markets. As a result of their size and the breadth of their product offering, certain of these companies have been and will be able to establish managed accounts by which, through a combination of direct computer links and volume discounts, they seek to gain a disproportionate share of orders for health care products and technologies from prospective customers. Such managed accounts present significant competitive barriers for us. It is anticipated that we will benefit from their participation in selected markets, which, as they expand, may attract the attention of our competitors. The business of research and development of pharmaceuticals is intensely competitive. Major companies with immense financial and personal resources are also engaged in this field.

The patents related to the substance Elafin expired in 2012. Elastase inhibitors such as Elafin have been under research and development in the pharmaceutical industry for decades. Currently, hundreds of related patents have been granted. Most of these substances are produced synthetically, and are not applicable in the treatment of human diseases. Currently two elastase inhibitors are used as pharmaceuticals, alpha-1-antitrypsin worldwide and Sivelestat in Japan and Korea.

Alpha-1-antitrypsin

Human blood naturally contains relatively large amounts of alpha-1-antitrypsin. Alpha-1-antitrypsin is and has been marketed for more than 20 years, currently by Grifols, CSL Behring, Baxter and Kamada as a plasma-derived product to supply patients with genetic deficiency of functional alpha-1-antitrypsin.

Sivelestat

Ono Pharmaceutical Co. Ltd., in Japan, has developed the synthetic elastase inhibitor Sivelestat. Ono received approval in 2002 to use Sivelestat as a drug for the indication "Amelioration of acute lung disease accompanying generalized inflammatory syndrome" in Japan and in Korea (Dong-A, Pharmaceutical Co., Ltd., Seoul) in 2006.

GOVERNMENT REGULATION

The Company is, and will continue to be, subject to governmental regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, and other similar laws of general application, as to all of which we believe we are in material compliance. Any future change in, and the cost of compliance with, these laws and regulations could have a material adverse effect on the business, financial condition, and results of operations of the Company.

Because of the nature of our operations, the use of hazardous substances, and our ongoing research and development and manufacturing activities, we are subject to stringent federal, state and local and foreign laws, rules, regulations and policies governing the use, generation, manufacturing, storage, air emission, effluent discharge, handling and disposal of certain materials and wastes. Although we believe that we are in material compliance with all applicable governmental and environmental laws, rules, regulations and policies, there can be no assurance that the business, financial conditions, and results of operations of the Company will not be materially adversely affected by current or future environmental laws, rules, regulations and policies, or by liability occurring because of any past or future releases or discharges of materials that could be hazardous.

Additionally, the clinical testing, manufacture, promotion and sale of a significant majority of the products and technologies of the Company, if those products and technologies are to be offered and sold in the United States, are subject to extensive regulation by numerous governmental authorities in the United States, principally the FDA and corresponding state regulatory agencies. Additionally, to the extent those products and technologies are to be offered and sold in markets other than the United States, the clinical testing, manufacture, promotion and sale of those products and technologies will be subject to similar regulation by corresponding foreign regulatory agencies. In general, the regulatory framework for biological health care products is more rigorous than for non-biological health care products. Generally, biological health care products must be shown to be safe, pure, potent and effective. There are numerous state and federal statutes and regulations that govern or influence the testing, manufacture, safety, effectiveness, labeling, storage, record keeping, approval, advertising, distribution and promotion of biological health care products. Non-compliance with applicable governmental requirements can result in, among other things, fines, injunctions, seizures of products, total or partial suspension of product marketing, failure of the government to grant pre-market approval, withdrawal of marketing approvals, product recall and criminal prosecution.

PATENTS, LICENSES & ROYALTIES

On December 30, 2000, the Company entered into an exclusive worldwide license agreement (the “License Agreement”) with Dr. Wiedow, which was amended by an Amendment Agreement to the License Agreement (the “Amendment”) dated December 23, 2008. These agreements enable the Company to develop, manufacture or sell Elafin. The Amendment modified the annual payments and also the royalty payment such that from the date of the Amendment the Company will not only pay Dr. Wiedow a three percent royalty on gross revenues from the Company's sale of products based on the licensed technology but also three percent of the license fees (including upfront and milestone payments and running royalties) received by the Company or its subsidiary from their sublicensing of the licensed technology. Pursuant to the License Agreement, as amended, Dr. Wiedow may terminate the License Agreement in the event of a breach which is not cured within 90 days following written notice of such breach. In addition, Dr. Wiedow may terminate the License Agreement immediately in the event of the Company’s bankruptcy, insolvency, assignment for the benefit of creditors, liquidation, assignment of all or substantially all of its assets, or failure to continue to develop Elafin. After any termination, to the extent permitted by applicable law, the Company will return all documents, information and data received by Dr. Wiedow and will immediately cease to develop, manufacture or sell Elafin. Please see Management’s Discussion and Analysis - Liquidity and Capital Resources, and Note 8 of the Consolidated Financial Statements included in this Form 10-K, for financial information.

On November 15, 2004, the Company entered into an exclusive worldwide license and collaboration agreement with ARTES Biotechnology GmbH ("ARTES"). This agreement enables the Company to economically produce Elafin on a large scale by using the sublicensed yeast HANSENULA POLYMORPHA as a high-performance expression system. Rhein Biotech GmbH ("Rhein") has licensed the yeast to ARTES, who in-turn sublicensed it to the Company. The agreement has a term of fifteen years with an annual license fee equal to the greater of 10,000 Euros or 2.5% royalties on the future sales of Elafin. Should the license agreement between Rhein and ARTES terminate, Rhein will assume the sublicense agreement with the Company under similar terms.

In August 2007, the Company's subsidiary entered into an agreement with Rhein Minapharm ("Minapharm") for clinical development, production and marketing of Elafin. The Company has granted Minapharm the nonexclusive right to market Elafin in Egypt and certain Middle Eastern and African countries. Under this agreement, the Company had received upfront payments and may receive additional milestone-payments upon Minapharm's attainment of certain clinical milestones as well as royalties on any future net product sales.

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. 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. Please see Note 5 of the Consolidated Financial Statements included in this Form 10-K, for financial information.

RESEARCH AND DEVELOPMENT

Our research and development efforts are focused on development of drugs based on the human protein Elafin. Our research and development expenditures for the fiscal years ended December 31, 2018 and 2017 approximated $199,000 and $240,000, respectively. We received research and development grant funds during those same years approximating $306,000 and $191,000, respectively, from a German governmental agency.

EMPLOYEES

As of December 31, 2018, Proteo had five employees (including management), all working at our offices in Germany.

ITEM 1A. - RISK FACTORS

A smaller reporting company ("SRC") is not required to provide any information in response to Item 503(c) of Regulation S-K.

ITEM 1B. - UNRESOLVED STAFF COMMENTS

None

ITEM 2 - PROPERTIES

The Company has entered into a lease for office and laboratory facilities in Germany. The aggregate monthly rental under the foregoing lease was approximately $3,000 and the lease is renewed every six months.

ITEM 3 - LEGAL PROCEEDINGS

The Company may from time to time be involved in various claims, lawsuits, and disputes with third parties, actions involving allegations of discrimination, or breach of contract actions incidental to the operation of its business. The Company is not currently involved in any litigation which it believes could have a materially adverse effect on its financial condition or results of operations.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is quoted on the OTCQB under the symbol PTEO. The table below gives the range of high and low bid prices of our common stock for each quarter during the fiscal years ended December 31, 2018 and 2017 based on information provided by the OTCQB. Such over-the-counter market quotations reflect inter-dealer prices, without mark-up, mark-down or commissions and may not necessarily represent actual transactions or a liquid trading market.

YEAR	PERIOD	HIGH	LOW
2018	First Quarter	$ 0.07	$ 0.05
	Second Quarter	0.06	0.05
	Third Quarter	0.08	0.03
	Fourth Quarter	0.05	0.03
2017	First Quarter	$ 0.07	$ 0.04
	Second Quarter	0.08	0.04
	Third Quarter	0.04	0.04
	Fourth Quarter	0.07	0.04

On April 1, 2019, the last sales price of our common stock was $0.048 per share. No cash dividends have been paid on our common stock for the 2018 and 2017 fiscal years and no change of this policy is under consideration by the Board of Directors. The payment of cash dividends in the future will be determined by the Board of Directors in light of conditions then existing, including our Company's earnings (if any), financial requirements, and opportunities for reinvesting earnings (if any), business conditions, and other factors. Except as described in the "Preferred Stock" section of Note 3 to the Company's consolidated financial statements included elsewhere herein, there are otherwise no restrictions on the payment of dividends.

NUMBER OF SHAREHOLDERS

As of April 4, 2019, the number of shareholders of record of the Company's common stock was 1,740.

PENNY STOCK

Until we satisfy the initial listing requirements for the Nasdaq Stock Market and successfully apply to have our shares of common stock traded thereon, our common stock will continue to be quoted on the OTCQB. As a result, an investor may find it more difficult to dispose of, or to obtain accurate quotations as to the price of, our common stock. Our common stock is subject to provisions of Section 15(g) and Rule 15g-9 of the Exchange Act, commonly referred to as the "penny stock rule." Section 15(g) sets forth certain requirements for transactions in penny stocks, and Rule 15g-9(d) incorporates the definition of "penny stock" that is found in Rule 3a51-1 of the Exchange Act. The SEC generally defines "penny stock" to be any equity security that has a market price less than $5.00 per share, subject to certain exceptions. Since our common stock is deemed to be a penny stock, trading in our shares is subject to additional sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors. "Accredited investors" include (i) certain entities as defined in Rule 501(a) of Regulation D, (ii) directors and executive officers of the issuer of the securities being offered or sold and (iii) persons with a net worth exceeding $1,000,000 (excluding the value of the person's primary residence) or annual income exceeding $200,000 (or $300,000 together with their spouse) in each of the two most recent years and reasonably expect to reach the same income level in the current year. For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of such security and must have the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the first transaction, of a risk disclosure document, prepared by the SEC, relating to the penny stock market. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information for the penny stocks held in an account and information on the limited market in penny stocks. Consequently, these rules may restrict the ability of a broker-dealer to trade and/or maintain a market in our common stock and may affect the ability of our shareholders to sell their shares.

DIVIDEND POLICY

To date, we have declared no cash dividends on our common or preferred stock, and do not expect to pay cash dividends on our common and preferred stock in the near term. We intend to retain future earnings, if any, to provide funds for operation of our business.

EQUITY COMPENSATION PLAN INFORMATION

We have no equity compensation plans as of December 31, 2018.

RECENT SALES OF UNREGISTERED SECURITIES

All sales of unregistered securities in 2018, if any, have previously been included in a Quarterly Report on Form 10-Q or in a Current Report on Form 8-K.

ITEM 6 - SELECTED FINANCIAL DATA.

An SRC is not required to provide any information in response to Item 301 of Regulation S-K.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT

This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. 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 Annual 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. The 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 expenses, and other specific risks that may be alluded to in this Annual Report or in other reports filed with the SEC 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 Annual 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.

See page one for additional information regarding forward-looking statements.

The Company currently generates revenue under a development agreement. 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 assurance as to the level of operating 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 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 risk/benefit balance. There can be no assurance that the Company will be able to develop feasible production procedures in accordance with GMP standards, or that Elafin will receive any governmental approval for its use 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. In the latter indication, especially the postoperative inflammation, the main reason for postoperative morbidity, will be targeted by Elafin treatment. Orphan drug designation assures exclusive marketing rights for the treatment of the respective disease within the EU for a period of up to ten years after receiving market approval. In addition, a simplified, accelerated and less expensive approval procedure with the assistance of EMA, the European FDA equivalent, can be drawn upon.

Within the United States of America, 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. These designations are associated with reduced fees to regulatory agencies and provide a 7-year marketing exclusivity in the U.S. on drug sales for the first company to obtain marketing approval of a particular drug.

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 and Elafin for chronical treatment of pulmonary arterial hypertension (“PAH”). Clinical development for PAH is conducted in cooperation with third parties. Further details are described in Item 1.

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. A further Phase II study, EMPIRE (Elafin Myocardial Protection from Ischemia Reperfusion Injury), an investigator-initiated trial at Edinburgh University, was conducted to investigate the safety and efficacy of Elafin in coronary bypass surgery. Further details are described in Item 1.

In June 2016, we announced that our subsidiary has been awarded a BFEI grant (the “Grant”) from the German State of Schleswig-Holstein. The Grant has a volume of up to Euro 874,000 and will be used for the R&D program to develop a new formulation of Proteo's lead compound Elafin. If effective, a new Elafin formulation would allow Proteo to extend the development pipeline to treat chronic diseases, such as pulmonary arterial hypertension ("PAH"). In June 2018, we received approval from the German State of Schleswig-Holstein to extend the project under the BFEI grant for a further 12 months until November 30, 2019.

In September 2016, we entered into a Preferred Stock Purchase Agreement (the “Agreement”) with a third-party (“Investor”). Pursuant to the Agreement, the Company agreed to issue and sell to the Investor 1,000,000 shares of the Company’s Series B-1 Preferred Stock at the price of Euro 1.00 per share, for an aggregate purchase price of Euro 1,000,000. The initial Euro 100,000 (approximately $117,000) deposit was fully received by September 2018, with $60,000 received during the nine-months period ended September 30, 2018. 100,000 shares of Series B-1 Preferred Stock were issued during the three-months period ended September 2018. We are currently negotiating with the Investor to complete the transaction, but at this time we believe it is unlikely that the full transaction will close in the future. See Note 3 to the accompanying consolidated financial statements for additional information.

In April 2017 and August 2017, we received final reports from a respiratory safety pharmacology study and a 28-day toxicity study of Elafin subcutaneous dosage in rats. Both studies were conducted by a third-party laboratory in the

US. They were conducted in accordance with the FDA "Good Laboratory Practice for Nonclinical Laboratory Studies" (GLP). All tested doses were well tolerated.

In August 2017, the Company submitted a Drug Master File ("DMF") for Elafin to the FDA for use in clinical trials within the United States. The DMF supports the investigator-initiated Investigational New Drug ("IND") application of Marlene Rabinovitch at Stanford University. At the end of September 2017, the FDA completed its safety review of the IND application and concluded that Marlene Rabinovitch at Stanford University may proceed with the proposed clinical investigation with Elafin for the treatment of pulmonary arterial hypertension. The conduct of a clinical phase I trial (subcutaneous administration, 7 days in healthy volunteers) will be financed by a new NIH-funded project of our cooperation partners and is now planned to start in 2019. During the three-month period ended September 30, 2018, our cooperation partners received the approval letters from the responsible Institutional Review Boards. In September 2018, we entered into a Clinical Material Transfer Agreement with our cooperation partners within the framework of the clinical phase I trial, and as well into a Material Transfer Agreement with a third-party laboratory in the US.

In July 2018, Alcazar et al. from Stanford University published a new mechanism by which Elafin rescues lung cell survival in the lung of newborn mice subjected to mechanical ventilation (Alejandre Alcazar et al., American Journal of Respiratory Cell and Molecular Biology, 2018). Since 2008, the Company has been cooperating with scientists at Stanford University in California with respect to the preclinical development in the field of pulmonary arterial hypertension and ventilator-induced injury. The new experimental findings, coupled with the research group's observation of significantly increased plasma elastase levels in preterm infants with evolving neonatal chronic lung disease, support the notion that Elafin treatment might be effective in mitigating or preventing neonatal lung injury caused by mechanical ventilation.

In October 2018, our subsidiary established the test site, Proteo R&D, for the operation of an archive in accordance with the principles of Good Laboratory Practice ("GLP") for archiving GLP documents related to our own development products. We have applied for GLP attestation of test category 9 for the test site. The GLP inspection occurred in December 2018. In February 2019, we received the GLP Certificate from the competent authority.

In December 2018, the Company entered into a Common Stock Purchase Agreement with the purchaser of its stock, Jork von Reden (the "Investor"), who is also a member of our board of directors. Pursuant to the Agreement, we agreed to issue and sell to the Investor 1,000,000 shares of Proteo's Common Stock at the price of $0.08 per share, for an aggregate purchase price of USD $80,000. The Purchase Price was equal to the closing price of our common stock as quoted on the OTCQB on December 6, 2018. See Note 3 to the accompanying consolidated financial statements for additional information.

During 2018, the Company continued its discussions to make its Elafin technology available for licensing and partnership with external partners.

In March 2019, we were informed by our research partners at Stanford University School of Medicine that The Duke University Early Phase Research Unit has initiated the recruitment of healthy individuals for the Phase I clinical trial in the U.S. to assess the safety and tolerability of repeated single doses of Elafin. Proteo's research partners and investigators at Stanford University School of Medicine, Dr. Marlene Rabinovitch and Dr. Roham Zamanian, are responsible for the conduct of the investigator-initiated trial. The trial with the title "Safety and Tolerability of Escalating Doses of Subcutaneous Elafin (Tiprelestat) Injection in Healthy Normal Subjects" marks the beginning of the clinical development program of Elafin for chronic use initially focusing on the treatment of patients suffering from the still fatal disease pulmonary arterial hypertension (PAH).

RESULTS OF OPERATIONS

REVENUES

Revenue reported for 2018 and 2017 primarily represent income recognized under the Development Agreement, as described above and in Note 5 to the accompanying consolidated financial statements. The Company entered into the Development Agreement during May 2014. The Company received, inclusive of accruals, approximately 15,000 Euros ($18,000) and 80,000 Euros ($89,000) for the years ended December 31, 2018 and 2017, respectively, which

are 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 are being recognized as revenue over the projected performance period under the agreement in direct relation to development expenses incurred. Approximately $99,000 and $199,000 was recognized as development income during the years ended December 31, 2018 and 2017, respectively.

Grant funds received in excess of research and development expenses are also reported as revenues. Such amounts approximated $107,000 and $0 for the years ended December 31, 2018 and 2017, respectively.

OPERATING EXPENSES

The Company's operating expenses for the year ended December 31, 2018 were approximately $209,000, a decrease of approximately $62,000 over the year ended December 31, 2017. Research and development expenses decreased $49,000 over the same periods to $0 for the year ended December 31, 2018, primarily due to differences in the amount of grant funds received in each of those years. General and administrative expenses (mostly professional and legal fees) for the same periods decreased $12,000 to $209,000 for 2018.

INTEREST AND OTHER INCOME (EXPENSE)

Interest and other income (expense), net for the year ended December 31, 2018 was $42,000 compared to ($74,000) in 2017. The balances are primarily comprised of foreign currency transaction gains on accrued licensing fees denominated in Euros (but expected to be settled in U.S. Dollars) in each year, driven by a strengthening of the U.S. Dollar compared to the Euro in 2018.

FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

We experienced other comprehensive losses of approximately $1,000 and $6,000 due to foreign currency translation adjustments during the years ended December 31, 2018 and 2017, respectively. This represents a net decrease of approximately $5,000. The decrease is primarily due to a strengthening of the U.S. Dollar (our reporting currency) compared to the Euro (the functional currency of PBAG) during 2018 compared to a strengthening of the Euro in 2017.

LIQUIDITY AND CAPITAL RESOURCES

Proteo, Inc. owns 100% of Proteo Biotech AG, its operating subsidiary in Germany (the “Subsidiary”). To date the Subsidiary has not had any significant earnings, and it does not expect to have any significant earnings for several years pending the approval of its first product candidate. In this regard, there were no undistributed earnings of the Subsidiary to repatriate to the U.S. parent (i.e. the Company).

The Company received, net of accruals, approximately 20,000 Euros ($24,000) and 110,000 Euros ($122,000) under the Development Agreement during the years ended December 31, 2018 and 2017, respectively. At this time, we believe it is unlikely that the Company will receive any future amounts under the Development Agreement.

In June 2016, the German State of Schleswig-Holstein granted PBAG approximately 874,000 Euros (approximately $1,047,000) for further research and development of the Company's pharmaceutical product Elafin (the “Grant”). The Grant covers 50% of eligible research and development costs incurred from December 1, 2015 through November 30, 2019. Grant funds, net of accruals, approximating 236,000 Euros ($279,000) and 205,000 Euros ($230,000) were received during 2018 and 2017, respectively. PBAG incurred additional eligible expenses approximating 33,000 Euros and 10,000 Euros during the years ended December 31, 2018 and 2017, respectively, that were not reimbursed by the respective year end. As such approximately $38,000 and $11,000, respectively, was accrued as a grant funds receivable on the accompanying consolidated balance sheets as of December 31, 2018 and 2017. The Company expects to receive approximately 280,000 Euro (approximately $320,000) in future periods under this Grant.

In September 2016, the Company entered into a Preferred Stock Purchase Agreement (the “Agreement”) with a third-party (“Investor”). Pursuant to the Agreement, the Company agreed to issue and sell to the Investor 1,000,000 shares

of the Company's Series B-1 Preferred Stock at the price of 1.00 Euro per share, for an aggregate purchase price of 1,000,000 Euro. The initial 100,000 Euro (approximately $117,000) deposit was fully received by September 2018, with $60,000 received during the nine-months ended September 30, 2018. As conditions for the initial closing were met, 100,000 shares of Series B-1 Preferred Stock were issued during September 2018. However, the Investor failed to deliver the full purchase price. We are currently negotiating with the Investor to complete the transaction. See Note 3 to the accompanying consolidated financial statements for additional information.

In April 2017, Dr. Wiedow agreed in writing to waive any non-payment defaults under the License Agreement and to defer all current payments to June 2020. See Note 8 to the consolidated financial statements included elsewhere for the payment terms under the License Agreement.

In December 2018, the Company entered into a Common Stock Purchase Agreement with the purchaser of its stock, Jork von Reden (the "Investor"). Pursuant to the Agreement, we agreed to issue and sell to the Investor 1,000,000 shares of Proteo's Common Stock at the price of $0.08 per share, for an aggregate purchase price of USD $80,000. We received $40,000 in December 2018 and $40,000 in January 2019.

The Company has cash approximating $89,000 as of December 31, 2018 to support current and future operations. This is a decrease of $25,000 over the December 31, 2017 cash balance of approximately $114,000. 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. Given the Company's current cash on hand, anticipated collections under the Preferred Stock Purchase Agreement and collections under the Grant of the German State of Schleswig-Holstein management believes the Company will have sufficient cash resources to cover its operations through one year from the filing of this Form 10-K. As for periods beyond this filing, we expect to continue to direct the majority of our research and development expenses towards the development of Elafin. It is extremely difficult for us 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;
- the uncertainty of our ability to raise capital to support our future research and development efforts; and the uncertainty of our ability to collect the remaining payments owed under the Preferred Stock Purchase Agreement.

As a result of the foregoing, the Company's success will largely depend on its ability to generate revenues from out-licensing activities, secure additional funding through the sale of its Common/Preferred Stock and/or the sale of debt securities. There can be no assurance, however, that the Company will be able to generate revenues from out-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. If we are unable to secure additional financing when needed, we may choose to delay or reduce other spending including Elafin research and development spending.

RESEARCH SUPPLIES

The Company's capitalized research supplies, which are all held by PBAG in Germany, have decreased from $64,000 at December 31, 2017 to $58,000 at December 31, 2018, primarily due to a strengthening U.S. Dollar relative to the Euro.

GRANT FUNDS RECEIVABLE

Grant funds receivable increased from $11,000 at December 31, 2017 to $38,000 at December 31, 2018. The Company received the 2017 receivable during 2018 and accrued for an additional $38,000 for reimbursement at the end of 2018, which is expected to be received in 2019.

LONG TERM ASSETS

The Company's capitalized property and equipment, which are all located in Germany, decreased $2,000 during 2018, primarily due to depreciation.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities decreased from $223,000 at December 31, 2017 to $127,000 at December 31, 2018, primarily due to the conversion of deposits received under the Preferred Stock Purchase Agreement approximating $57,000, plus $60,000 of cash received during 2018 under such agreement, into 100,000 shares of Series B-1 Preferred Stock.

DEFERRED REVENUES

As described above, the Company entered into the Development Agreement during May 2014. Deferred revenues had a translated balance of approximately $0 and $83,000 at December 31, 2018 and 2017, respectively. The Company has not received any additional amounts under the Development Agreement since the 2nd quarter of 2018, and we do not believe that we will receive any additional amounts in the near term.

ACCRUED LICENSING FEES

Accrued licensing fees decreased by $31,000 to $652,000 at December 31, 2018. The decrease is solely due to the strengthening of U.S. Dollar relative to the Euro. The Company owed 570,000 Euros under the licensing agreement at both December 31, 2018 and 2017.

OTHER LIABILITIES

Other liabilities at December 31, 2017 and 2018 consist of certain employee compensation that was incurred in 2015 through 2017, but for which payment was agreed to be deferred until 2020.

CAPITAL EXPENDITURES

None significant.

INFLATION

Management believes that inflation has not had a material effect on the Company's results of operations during 2018 and 2017.

OFF BALANCE SHEET ARRANGEMENTS

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

ACCOUNTING MATTERS

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our results of operations, liquidity and capital resources is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America.

The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We base our estimates on historical and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from our estimates.

The following represents a summary of our critical accounting policies, defined as those policies that we believe are: (a) the most important to the portrayal of our financial condition and results of operations, and (b) that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the matters that are inherently uncertain. We discuss each of these policies below, as well as the estimates and judgments involved. We also have other policies that we consider key accounting policies; however, these policies do not meet the definition of critical accounting estimates, because they do not generally require us to make estimates or judgments that are difficult or subjective.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company capitalizes the cost of supplies used in its research and development activities if such supplies are deemed to have alternative future uses, usually in other research and development projects. Such costs are expensed as used to research and development expenses in the accompanying consolidated statements of operations.

Nonrefundable advance payments for goods or services that have the characteristics that will be used or rendered for future research and development activities are deferred and capitalized as prepaid expenses. Such amounts are expensed to research and development as the related goods and services are received.

The costs of materials that are acquired for a particular research and development project and that have no alternative future uses (in other research and development projects or otherwise) and therefore no separate economic values are expensed as research and development costs at the time the costs are incurred.

The Company may receive grants from the German government which are used to fund research and development activities. Grant funds to be received for the reimbursement of qualified research and development expenses are offset against such expenses in the accompanying consolidated statements of operations and comprehensive loss when the related expenses are incurred.

FOREIGN CURRENCY FINANCIAL REPORTING

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. Expense and grant receipts are translated at weighted average exchange rates for the period. Net exchange gains or losses resulting from such translation are excluded from the consolidated statements of operations and are included in comprehensive loss and accumulated in a separate component of stockholders' deficit.

The Company records payables related to a certain licensing agreement 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 gain or loss results. The Company made no payments under this licensing agreement during the year ended December 31, 2018.

Additionally, the Company computes a foreign exchange 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 unrealized gain or loss that is currently recognized.

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. Through December 31, 2018, the Company received approximately 1.6 million Euros of the 3.5 million Euro maximum. 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 deferred and recognized as revenue over the projected performance period under the Development Agreement in relation to expenses incurred.

From inception of the Development Agreement through September 30, 2015, management estimated total Elafin related development expenses at 3.5 million Euro. As revenues to be received also equal 3.5 million Euros, revenue was recognized at 100% of the related expenses incurred. Beginning October 1, 2015, management increased their estimate of remaining development expenses by 3.5 million Euro and began recognizing revenues at 43% of related expenses. The increase in expenses was due to additional clinical indicators that will be explored by the Company. At this time we believe it is unlikely that the transaction will close in the future.

INCOME TAXES

The Company accounts for income taxes using the liability method in accordance with the Income Taxes Topic of the ASC. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided for significant deferred tax assets when it is more likely than not that such assets will not be recovered.

As of December 31, 2018 and 2017, management believes the Company did not have any uncertain tax positions and, accordingly, there is no accrual for any liability for unrecognized tax benefits. Furthermore, there were no adjustments to the liability or lapse of any statutes of limitation or settlements with taxing authorities.

The Company expects resolution of unrecognized tax benefits, if created, would occur while the 100% valuation allowance of deferred tax assets is maintained; therefore, the Company does not expect to have any unrecognized tax benefits that, if recognized, would affect its effective income tax rate.

The Company will recognize any interest and penalties related to unrecognized tax benefits as income tax expense. As of December 31, 2018 and 2017, the Company has not recognized any liability for unrecognized tax benefits.

The Company is subject to taxation in the United States of America, various states, and Germany.

COMPREHENSIVE INCOME (LOSS)

Total comprehensive income (loss) represents the net change in stockholders' deficit during a period from sources other than transactions with stockholders and as such, includes net earnings or loss. For the Company, other

comprehensive income (loss) represents the foreign currency translation adjustments, which are recorded as components of stockholders' deficit.

EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) per common share is computed based on the weighted average number of shares outstanding for the period. Diluted earnings (loss) per common share is computed by dividing net loss available to common stockholders by the weighted average shares outstanding assuming all dilutive potential common shares were issued. There were no dilutive potential common shares outstanding at December 31, 2018 or 2017.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

An SRC is not required to provide any information in response to Item 305 of Regulation S-K.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is submitted as a separate section of this report immediately following the signature page.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A - CONTROLS AND PROCEDURES

Under the supervision and with the participation of management, including Oliver Wiedow, our chief executive officer and chief financial officer, we have evaluated the effectiveness of the Company’s disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, Mr. Wiedow has concluded that these controls and procedures were effective as of December 31, 2018, including those to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC, and is accumulated and communicated to management, including the principal executive officer and the principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Management of Proteo is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, (iii) provide reasonable assurance that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company, and (iv) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Management has assessed the Company's internal control over financial reporting as of December 31, 2018. The assessment was based on criteria for effective internal control over financial reporting described in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on the assessment, Management believes that the Company maintained effective internal control over financial reporting as of December 31, 2018.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this annual report.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no significant changes in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Inherent limitations exist in any system of internal control including the possibility of human error and the potential of overriding controls. Even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. The effectiveness of an internal control system may also be affected by changes in conditions.

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the names and ages of the current and incoming directors and executive officers of the Company and the principal offices and positions with the Company held by each person.

NAME	AGE	POSITIONS
Prof. Oliver Wiedow	61	President, Chief Executive Officer, Chief Financial Officer and Director
Jork von Reden	75	Director
Prof. Hartmut Weigelt	73	Director
Birge Bargmann	57	Chief Executive Officer of PBAG
Juergen Paal	47	Chief Operating Officer of PBAG

The above listed directors will serve until the next annual meeting of the stockholders or until their death, resignation, retirement, removal, or disqualification, or until their successors have been duly elected and qualified. Vacancies in the existing board are filled by shareholders by majority vote of the outstanding shares of common stock. Our officers serve at the will of the board.

BIOGRAPHICAL INFORMATION

Prof. Oliver Wiedow has served as our President, Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") since November 2018 and a Director of the Company since December 2000. Professor Wiedow served as our President, Chief Executive Officer and Chief Financial Officer from January 2004 to June 2004 and has served as a member of the Supervisory Board of Proteo Biotech AG since 2000. Since 1985 Professor Wiedow has served as physician and scientist at the University of Kiel, Germany. Prof. Wiedow discovered Elafin in human skin and has researched its biological effects. The Board of Directors concluded that Mr. Wiedow should serve as a director in light of his extensive scientific understanding of our technologies in development combined with the perspective and experience, he brings as our current President and Chief Executive Officer from his extensive history with the Company.

Jork von Reden has served as a Director of the Company since November 2018. He currently serves as Managing Director of CFI Innovation GmbH Berlin Unternehmensberatung und Beteiligungen (“CFI”), which is a stockholder of the Company. Additionally he serves as Managing Director of Windenergy Trust Sp.zo.o, Szczecin, Poland and Contrust Sp.zo.o, Jelenia Gora, Poland. Mr. von Reden received a degree as Dipl. Ing. of the Faculty of Mechanical Engineering of the Technical University Berlin. The Board of Directors concluded that Jork von Reden should serve as a director in light of his extensive experience in financing innovative technologies and scientific projects. He is a well-respected leader and he bring excellent and differentiated skill sets that will be vital in guiding Proteo forward.

Prof. Hartmut Weigelt has served as a Director of the Company since December 2000. Prof. Weigelt was a member of the Supervisory Board of Proteo Biotech AG from 2000 to 2003. Since 1996, Prof. Weigelt has served as the managing director of Eco Impact GmbH which he co-founded. Prof. Weigelt was a co-founder of the first German private university, Witten/Herdecke and he was Chief Scientific Officer ("CSO") of SNAP GmbH, and dean of the Faculty of Dental Technology at the SRH University of Applied Sciences in Hamm (Northrhine-Westphalia, Germany). He currently is Professor of Applied Biological Science at the University of Applied Sciences Cologne. Prof. Weigelt studied chemistry and biology and graduated with a M.Sc., Ph.D., and D.Sc. in biology. The Board of Directors concluded that Prof. Weigelt should serve as a Director in light of his extensive scientific understanding of our technologies in development.

Birge Bargmann served as Chief Executive Officer ("CEO") of Proteo Biotech AG since November 2005. Ms. Bargmann served as our President, Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") from November 2005 to November 2018, and as Director of the Company from December 2000 to November 2018. Ms. Bargmann was a member of the Supervisory Board of Proteo Biotech AG from 2000 to 2005. She has more than 18 years of research experience in her previous position as head of the laboratory for enzyme research in the Department

of Dermatology at the University of Kiel and was engaged in the Elafin project. She co-developed and carried out procedures to detect and to purify Elafin.

Juergen Paal has served as Chief Operating Officer ("COO") of Proteo Biotech AG since December 2014. He has more than 13 years of experience in the health care industry. Previously, he served as Director Business Development Therapeutic Apheresis at Fresenius Medical Care. He holds a Ph.D. in biology and a M.Sc. in Pharmaceutical Medicine.

AUDIT COMMITTEE AND FINANCIAL EXPERT

Proteo, Inc. is not a "listed company" under SEC rules and is therefore not required to have an audit committee comprised of independent directors. We do not currently have an audit committee; however, for certain purposes of the rules and regulations of the SEC and in accordance with the Sarbanes-Oxley Act of 2002, our board of directors is deemed to be the audit committee and as such functions and performs some of the same duties as an audit committee including: (1) selection and oversight of our independent accountant; (2) establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters; and (3) engaging outside advisors. Our board of directors has determined that its members do not include a person who is an "audit committee financial expert" within the meaning of the rules and regulations of the SEC.

The board of directors has determined that each of its members is able to read and understand fundamental financial statements and has substantial business experience that results in that member's financial sophistication. Accordingly, the board of directors believes that each of its members has sufficient knowledge and experience necessary to fulfill the duties and obligations that an audit committee would have. The Company does not have a formal compensation committee. The board of directors, acting as a compensation committee, periodically meets to discuss and deliberate on issues surrounding the terms and conditions of executive officer compensation.

FAMILY RELATIONSHIPS

There are no family relationships between or among the directors, executive officers or persons nominated by the Company to become directors or executive officers, with the exception that Dr. Oliver Wiedow and Birge Bargmann are immediate family members.

CODE OF ETHICAL CONDUCT

The Company maintains a code of ethical conduct applicable to all employees, officers and directors. The Company will also provide to any person without charge, and upon request, a copy of the Code of Ethics by making a request in writing to: info@proteo.us.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

To the best of the management's knowledge, during the past ten years, none of the following occurred with respect to a present or former director or executive officer of the Company: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors and executive officers and persons who own more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors

and greater than ten percent beneficial owners of our common stock are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. To the Company's knowledge, based solely on the review of copies of such reports furnished to the Company and written representations that no other reports were required, the Company has been informed that all Section 16(a) filing requirements applicable to the Company's officers, directors and greater than ten percent beneficial owners of our common stock were complied with.

ITEM 11 - EXECUTIVE COMPENSATION

The following table sets forth the total compensation earned over each of the past two fiscal years ended December 31, 2018 by each person who served as the principal executive officer of Proteo during fiscal years ended 2018 and 2017. There were no other executive officers who had compensation of $100,000 or more during fiscal years ended 2018 and 2017.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation (#)	Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total Compensation ($)
Prof. Oliver Wiedow (Chief Executive Officer Proteo, Inc.)	2018	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2017	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Birge Bargmann (Chief Executive Officer PBAG; Former Chief Executive Officer Proteo, Inc.)	2018	26,000	-0-	-0-	-0-	-0-	-0-	-0-	26,000
	2017	25,000	-0-	-0-	-0-	-0-	-0-	-0-	25,000
Juergen Paal (Chief Operating Officer PBAG)	2018	39,000	-0-	-0-	-0-	-0-	-0-	-0-	39,000
	2017	39,000	-0-	-0-	-0-	-0-	-0-	-0-	39,000

Ms. Bargmann’s and Mr. Paal’s salaries are paid by the Company’s wholly owned subsidiary Proteo Biotech AG. Prof. Oliver Wiedow was paid no compensation during the years ended December 31, 2018 and 2017.

OPTION/STOCK APPRECIATION RIGHTS GRANTS TABLE

The Company does not have a stock option plan and has not granted any stock options or stock appreciation rights to date.

AGGREGATED OPTION EXERCISES AND FISCAL YEAR-END OPTION VALUE TABLE

Not applicable.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Company does not have any equity compensation plans.

COMPENSATION OF DIRECTORS

The Directors have not received any compensation for serving in such capacity, and the Company does not currently contemplate compensating its Directors in the future for serving in such capacity.

EMPLOYMENT AND CONSULTING AGREEMENTS

The Company has no employment contracts with any of its officers or directors and maintains no retirement, fringe benefit or similar plans for the benefit of its officers or directors. However, Ms. Bargmann and Mr. Paal do have employment contracts with the Company’s wholly owned subsidiary Proteo Biotech AG. The Company may,

however, enter into employment contracts with its officers and key employees, adopt various benefit plans and begin paying compensation to its officers and directors as it deems appropriate to attract and retain the services of such persons. The Company does not pay fees to directors who are not executive officers for their attendance at meetings of the Board of Directors or its committees; however, the Company may adopt a policy of making such payments in the future. The Company will reimburse out-of-pocket expenses incurred by directors in attending Board and committee meetings.

COMPENSATION COMMITTEE AND INSIDER PARTICIPATION

The current Board of Directors includes Oliver Wiedow, who also serves as an executive officer of the Company. As a result, this director discusses and participates in deliberations of the Board of Directors on matters relating to the terms of executive compensation. In this regard, a director whose executive compensation is voted upon by the Board of Directors must abstain from such vote.

REPORT OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION

The following statement made by the Board of Directors, sitting as a Compensation Committee, shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, and shall not otherwise be deemed filed under either of such Acts.

The Company does not have a formal compensation committee and the Company's officers receive no compensation from the Company at this time. Ms. Bargmann, Chief Executive Officer of the subsidiary, and Mr. Paal, Chief Operating Officer of the subsidiary, receive compensation from our wholly-owned subsidiary, Proteo Biotech AG.

The Supervisory Board of Proteo Biotech AG had entered into an employment contract with Ms. Bargmann on May 27, 2011, amended on April 2, 2013, on November 14, 2013, on October 30, 2015, on February 1, 2016 and on September 29, 2016. The contract expires on November 9, 2020. In December 2014, the Supervisory Board of Proteo Biotech AG had entered into an employment contract with Mr. Paal, amended on September 29, 2016. The contract expires on June 30, 2019.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of December 31, 2018, certain information with respect to the Company's equity securities owned of record or beneficially by (i) each director and executive officer; (ii) each person who owns beneficially more than 5% of each class of the Company's outstanding equity securities; and (iii) all directors and executive officers as a group. The address for all of the following individuals is c/o Proteo, Inc., 2102 Business Center Drive, Irvine, California 92612.

Name of Beneficial Owner	Number of Common Shares Beneficially Owned (1)	Percent of Class
Prof. Oliver Wiedow	6,380,000	26.2%
Birge Bargmann	6,300,000	25.8%
Jork von Reden	600,000	2.5%
Prof. Hartmut Weigelt	56,000	*
Juergen Paal	116,359	*
All directors and executive officers as a group (5 persons)	13,452,359	55.2%

* less than 1%

(1) Based on 24,379,350 common shares outstanding as of December 31, 2018.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

On December 30, 2000, the Company entered into a thirty-year license agreement, beginning January 1, 2001 (the "License Agreement"), with Dr. Oliver Wiedow, 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, June 2014, and again in April 2017, 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 June 30, 2020. 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.

The Amendment also modified the royalty payment such that the Company will not only pay Dr. Wiedow a three percent royalty on gross revenues from the Company's sale of products based on the licensed technology but also three percent of the license fees (including upfront and milestone payments and running royalties) received by the Company or its subsidiary from their sublicensing of the licensed technology.

No royalty expense has been recognized under the License Agreement or the Amendment since the Company has yet to generate any related revenues. At December 31, 2018 and 2017, the Company has accrued approximately $652,000 and $683,000, respectively, of licensing fees payable to Dr. Wiedow, which are included in the long-term liabilities.

Pursuant to the License Agreement, as amended, Dr. Wiedow may terminate the License Agreement in the event of a breach which is not cured within 90 days following written notice of such breach. In addition, Dr. Wiedow may terminate the License Agreement immediately in the event of the Company’s bankruptcy, insolvency, assignment for the benefit of creditors, insolvency, liquidation, assignment of all or substantially all of its assets, failure to continue to develop Elafin. After any termination, to the extent permitted by applicable law, the Company will return all documents, information and data received by Dr. Wiedow and will immediately cease to develop, manufacture or sell Elafin.

The disclosure requirements of Item 407(a) of Regulation S-K are not applicable to this filing.

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES

AUDIT FEES:

We were billed or expect to be billed approximately $75,000 and $57,000 for the years ended December 31, 2018 and 2017, for professional services rendered by the principal accountant for the audit of our annual consolidated financial statements and the review of our quarterly unaudited consolidated financial statements.

AUDIT RELATED FEES:

None.

TAX FEES:

We were billed or expect to be billed approximately $10,000 and $10,000 for the years ended December 31, 2018 and 2017, for professional services rendered by the principal accountant for tax compliance services.

ALL OTHER FEES:

There were no other professional services rendered by our principal accountant during the two years ended December 31, 2018 that were not included in the three categories above.

All of the services provided by our principal accountant were approved by our Board of Directors. No more than 50% of the hours expended on our audit for the last fiscal year were attributed to work performed by persons other than full-time employees of our principal accountant.

PART IV

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) **Financial Statements.** Reference is made to the Index to Consolidated Financial Statements on page F-1 for a list of financial statements filed as a part of this Annual Report.

(2) **Financial Statement Schedules.** All financial statement schedules are omitted because of the absence of the conditions under which they are required to be provided or because the required information is included in the financial statements listed above and/or related notes.

(3) **List of Exhibits.**

2.1	Agreement and Plan of Share Exchange (Incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Commission on May 6, 2002)
3.1	Articles of Incorporation, dated December 18, 1992 (Incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-SB filed with the Commission on April 25, 2000)
3.2	Amendment to Articles of Incorporation, dated October 31, 1996 (Incorporated by reference to Exhibit 3.2 to the Registrant's Form 10-SB filed with the Commission on April 25, 2000)
3.3	Amendment to Articles of Incorporation, dated February 12, 1998 (Incorporated by reference to Exhibit 3.3 to the Registrant's Form 10-SB filed with the Commission on April 25, 2000)
3.4	Amendment to Articles of Incorporation, dated May 18, 1999 (Incorporated by reference to Exhibit 3.4 to the Registrant's Form 10-SB filed with the Commission on April 25, 2000)
3.5	Amendment to Articles of Incorporation, dated July 18, 2001 (Incorporated by reference to Exhibit 3.5 to the Registrant's Annual Report on Form 10-KSB filed with the Commission on May 10, 2002)
3.6	Amendment to Articles of Incorporation, dated January 11, 2002 (Incorporated by reference to Exhibit 3.6 to the Registrant's Annual Report on Form 10-KSB filed with the Commission on May 10, 2002)
3.7	Articles of Share Exchange, dated April 25, 2002 (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on May 6, 2002)
3.8	By-Laws, dated December 18, 1992 (Incorporated by reference to Exhibit 3.5 to the Registrant's Form 10-SB filed with the Commission on April 25, 2000)
3.9	Certificate of Designation of Series A Preferred Stock dated June 5, 2008 (Incorporated by reference to Exhibit 3.9 to the Registrant's Current Report on Form 8-K filed with the Commission on June 11, 2008)
3.10	Certificate of Designation of Series B-1 Preferred Stock dated September 7, 2016 (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on September 13, 2016)
10.3	Common Stock Purchase Agreement dated November 7, 2005 (Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Commission on November 14, 2005)
10.4	Promissory Note dated November 7, 2005 with Guaranty (Incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the Commission on November 14, 2005)
10.5	Common Stock Purchase Agreement dated December 22, 2006 (Incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the Commission on December 22, 2006)

10.6	Promissory Note dated December 22, 2006 (Incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed with the Commission on December 22, 2006)
10.7	License Agreement dated August 9, 2007, by and between Proteo Biotech AG and Rhein Minapharm Biogenetics SAE. (Incorporated by reference to Exhibit 10.7 to the Registrant's Form 10-QSB filed with the Commission on November 14, 2007) **
10.8	Preferred Stock Purchase Agreement dated June 9, 2008 (Incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 3, 2011)
10.9	Promissory Note dated June 9, 2008 (Incorporated by reference to Exhibit 10.9 to the Registrant's Current Report on Form 8-K filed with the Commission on June 11, 2008)
10.10	Amendment to the License Agreement between the Registrant and Dr. Oliver Wiedow dated December 23, 2008 (Incorporated by reference to Exhibit 10.10 of the Registrant's Current Report on Form 8-K filed with the Commission on January 7, 2009)
10.11	Forbearance Agreement and General Release dated July 6, 2009 (Incorporated by reference to Exhibit 10.11 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 3, 2011)
10.12	Agreement on the Assumption of Debt dated February 11, 2010 (Incorporated by reference to Exhibit 10.12 to the Registrant's Current Report on Form 8-K filed with the Commission on February 17, 2010)
10.13	Summary of Ms. Birge Bargmann's Employment Agreement dated May 27, 2011, with Proteo Biotech AG (Incorporated by reference to Exhibit 10.14 of the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 3, 2011) *
10.14	Summary of amendments to Ms. Birge Bargmann's Employment Agreement dated May 27, 2011, with Proteo Biotech AG dated April 2, 2013 and on November 14, 2013 (Incorporated by reference to Exhibit 10.14 of the Registrant's Annual Report on Form 10-K filed with the Commission on February 26, 2014)*
10.15	License Agreement between the Registrant and Professor Dr. Oliver Wiedow dated December 30, 2000 (Incorporated by reference to Exhibit 10.15 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 3, 2011)
10.16	Summary of Material Terms of License Agreement between Proteo Biotech AG, the Registrant's wholly owned subsidiary, and ARTES Biotechnology GmbH dated November 15, 2004 (Incorporated by reference to Exhibit 10.16 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 filed with the Commission on November 3, 2011)
10.17	Translation from German to English of Contract for an Atypical Silent Partnership between Proteo Biotech AG, the Registrant's wholly owned subsidiary, and Professor Dr. Oliver Wiedow effective October 1, 2006 (Incorporated by reference to Exhibit 10.17 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 3, 2011)
10.18	Letter Agreement dated July 28, 2011, between Registrant and Dr. Oliver Wiedow (Incorporated by reference to Exhibit 10.18 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 3, 2011)
10.19	Letter Agreement dated February 6, 2012, between the Registrant and Dr. Oliver Wiedow (Incorporated by reference to Exhibit 10.19 of the Registrant's Annual Report on Form 10-K filed with the Commission on March 27, 2012)

10.20	Letter Agreement dated February 10, 2013, between the Registrant and Dr. Oliver Wiedow (Incorporated by reference to Exhibit 10.20 of the Registrant's Annual Report on Form 10-K filed with the Commission on March 29, 2013)
10.21	Form of Preferred Stock Purchase Agreement (Incorporated by reference to Exhibit 10.21 of the Registrant's Annual Report on Form 10-K filed with the Commission on February 26, 2014)
10.22	Letter Agreement dated June 10, 2014, between the Registrant and Dr. Oliver Wiedow (Incorporated by reference to Exhibit 10.22 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, filed with the Commission on August 18, 2014)
10.23	Agreement effective May 16, 2014 between Biotech Development Corp. and Proteo (Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Commission on May 22, 2014)**
10.24	Preferred Stock Purchase Agreement dated September 9, 2016 (Incorporated by reference to Exhibit 10.8 of the Registrant's Current Report on Form 8-K filed with the Commission on September 13, 2016)
10.25	Letter Agreement dated April 10, 2017, between the Registrant and Dr. Oliver Wiedow (Incorporated by reference to Exhibit 10.25 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, filed with the Commission on May 15, 2017)
10.26	Common Stock Purchase Agreement dated December 12, 2018 (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on December 14, 2018)
14.1	Code of Ethics (Incorporated by reference to Exhibit 14.1 of the Registrant's Form 10-KSB filed with the Commission on March 31, 2005)
21	Subsidiaries of Registrant ***
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 ***

* This Exhibit is a management contract or a compensation plan or arrangement.
** Portions omitted pursuant to a request of confidentially filed separately with the Commission.
*** Filed herewith

ITEM 16. FORM 10-K SUMMARY

Not applicable.

PROTEO, INC. AND SUBSIDIARY
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements:

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Proteo, Inc.

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Proteo, Inc. and Subsidiary (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income (loss), stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

/s/ SQUAR MILNER LLP

We have served as the Company's auditor since 2002.

San Diego, California
April 15, 2019

PROTEO, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 89,132	$ 113,915
Research supplies	57,785	63,720
Grant funds receivable	37,562	11,438
Development Agreement receivables	–	5,990
Prepaid expenses and other current assets	64,543	68,196
Total current assets	249,022	263,259
PROPERTY AND EQUIPMENT, NET	4,929	7,053
Total assets	$ 253,951	$ 270,312
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 127,217	$ 222,704
Deferred revenues	–	82,553
Total current liabilities	127,217	305,257
LONG TERM LIABILITIES		
Accrued licensing fees	652,359	682,833
Other liabilities	145,396	148,019
Total long term liabilities	797,755	830,852
Total liabilities	924,972	1,136,109
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' DEFICIT		
Non-voting preferred stock, par value $0.001 per share; 10,000,000 shares authorized;		
Series A, 723,590 shares issued and outstanding at December 31, 2018 and 2017	724	724
Series B-1, 100,000 and 0 shares issued and outstanding at December 31, 2018 and 2017, respectively	100	–
Common stock, par value $0.001 per share; 300,000,000 shares authorized; 24,379,350 and 23,879,350 shares issued and outstanding at December 31, 2018 and 2017, respectively	24,380	23,880
Additional paid-in capital	9,144,464	8,988,125
Accumulated other comprehensive loss	(31,231)	(29,827)
Accumulated deficit	(9,812,564)	(9,848,699)
Total Proteo, Inc. Stockholders' Deficit	(674,127)	(865,797)
Noncontrolling Interest	3,106	–
Total stockholders' deficit	(671,021)	(865,797)
Total liabilities and stockholders' deficit	$ 253,951	$ 270,312

SEE ACCOMPANYING NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUES		
Development Agreement	$ 99,100	$ 199,293
Net Grant revenue	106,892	–
	205,992	199,293
EXPENSES		
General and administrative	208,736	221,086
Research and development, net of grants	–	49,268
TOTAL OPERATING EXPENSES	208,736	270,354
LOSS FROM OPERATIONS	(2,744)	(71,061)
INTEREST AND OTHER INCOME (EXPENSE), NET	41,985	(74,170)
NET INCOME (LOSS)	39,241	(145,231)
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	3,106	–
NET INCOME (LOSS) ATTRIBUTABLE TO PROTEO, INC.	$ 36,135	$ (145,231)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	(1,404)	(5,734)
COMPREHENSIVE INCOME (LOSS)	$ 34,731	$ (150,965)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	$ 0.00	$ (0.01)
BASIC AND DILUTED EARNINGS (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTEREST PER SHARE	$ 0.00	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	23,898,528	23,879,350

SEE ACCOMPANYING NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount					
BALANCE - December 31, 2016	723,590	$ 724	23,879,350	$ 23,880	$8,988,125	$ (24,093)	$ (9,703,468)	$ 0	$(714,832)
Other comprehensive loss	–	–	–	–	–	(5,734)	–	–	(5,734)
Net loss	–	–	–	–	–	–	(145,231)	–	(145,231)
BALANCE - December 31, 2017	723,590	$ 724	23,879,350	$ 23,880	$8,988,125	$ (29,827)	$ (9,848,699)	$ 0	$(865,797)
Common stock issued for cash			500,000	$ 500	$ 39,500			–	40,000
Series B-1 preferred stock issued for cash and deposits	100,000	$ 100			$ 116,839			–	116,939
Other comprehensive loss	–	–	–	–	–	(1,404)	–	–	(1,404)
Net income	–	–	–	–	–	–	36,135	3,106	39,241
BALANCE - December 31, 2018	823,590	$ 824	24,379,350	$ 24,380	$9,144,464	$ (31,231)	$ (9,812,564)	$ 3,106	$(671,021)

SEE ACCOMPANYING NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 39,241	$ (145,231)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	1,866	1,860
Foreign currency transaction (gains) losses	(29,964)	83,170
Changes in operating assets and liabilities:		
Research supplies	3,191	–
Grant funds receivable	(27,484)	40,129
Development Agreement receivables	5,905	33,901
Prepaid expenses and other current assets	19,981	(16,862)
Accounts payable and accrued liabilities	(54,800)	7,569
Deferred revenues	(81,385)	(108,891)
Other liabilities	4,110	19,360
NET CASH USED IN OPERATING ACTIVITIES	(119,339)	(84,995)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	–	(1,895)
NET CASH USED IN INVESTING ACTIVITIES	–	(1,895)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	40,000	–
Cash received for issuance of preferred stock	60,090	40,723
Proceeds from related party loan	61,434	–
Repayment of related party loan	(58,172)	–
NET CASH PROVIDED BY FINANCING ACTIVITIES	103,352	40,723
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(8,796)	18,414
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,783)	(27,753)
CASH AND CASH EQUIVALENTS--BEGINNING OF YEAR	113,915	141,668
CASH AND CASH EQUIVALENTS--END OF YEAR	$ 89,132	$ 113,915

SEE ACCOMPANYING NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS

PROTEO, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION/NATURE OF BUSINESS

Proteo, Inc. and Proteo Marketing, Inc. ("PMI"), a Nevada corporation, which began operations in November 2000, entered into a reorganization and stock exchange agreement in December 2000 with Proteo Biotech AG ("PBAG"), a German corporation, incorporated in Kiel, Germany. Pursuant to the terms of the agreement, all of the shareholders of PBAG exchanged their common stock for 2,500,000 shares of PMI common stock. As a result, PBAG became a wholly owned subsidiary of PMI. Proteo Inc.'s common stock is quoted on the OTCQB under the symbol "PTEO." Effective December 31, 2004, PMI merged into Proteo, Inc. PBAG and Proteo, Inc. are hereinafter collectively referred to as the "Company."

The Company intends to develop, promote and market pharmaceuticals and other biotech products. The Company is focused on the development of pharmaceuticals based on the human protein Elafin. Elafin is a human protein that naturally occurs in human skin, lungs, and mammary glands. The Company believes Elafin may be useful in the treatment of post-surgery damage to tissue, complications resulting from organ transplantation, pulmonary hypertension, as well as other diseases.

Since its inception, the Company has primarily been engaged in the research and development of its proprietary product Elafin. Once the research and development phase is complete, the Company will seek to obtain the various governmental regulatory approvals for the marketing of Elafin. The Company has not generated any significant revenues from product sales. The Company believes that none of its planned products will produce sufficient revenues in the near future. There are no assurances that the Company will be able to obtain regulatory approvals for marketing of Elafin, or if approved, that Elafin will be accepted in the marketplace.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. On-hand amounts of the Company’s product Elafin approximating $48,000 and $51,000 at December 31, 2018 and 2017, respectively, that is sold for research purposes and used for research and other purposes by external entities, have been reclassified from research supplies to prepaid expenses and other current assets on the accompanying consolidated balance sheets. Additionally, intercompany foreign exchange gains (losses) approximating $41,000 and ($104,000) for the years ended December 31, 2018 and 2017, respectively, have been reclassified from interest and other income (expense), net to other comprehensive income.

CONCENTRATIONS

The Company maintains substantially all of its cash in bank accounts at a private German 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. As such, the Company's bank is a member of this deposit protection fund. The Company has not experienced any losses in these bank accounts.

The Company's 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 products currently approved and 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 will be required to 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. If we are unable to receive additional financing when needed, we may choose to delay or reduce other spending including Elafin research and development spending.

The Company has cash approximating $89,000 as of December 31, 2018 to support current and future operations. This is a decrease of $25,000 over the December 31, 2017 cash balance of approximately $114,000. 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. Given the Company's current cash on hand and collections under the Grant of the German State of Schleswig-Holstein, management believes the Company will have sufficient cash resources to cover its operations through one year from the filing of this Form 10-K. As for periods beyond this filing, we expect to continue to direct the majority of our research and development expenses towards the development of Elafin. It is extremely difficult for us 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.

The Company's line of future pharmaceutical products being developed by its German subsidiary are considered drugs or biologics, and as such, are governed by the Federal Food and Drug and Cosmetics Act and by the regulations of state agencies and various foreign government agencies. There can be no assurance that the Company will obtain the regulatory approvals required to market its products. The pharmaceutical products under development in Germany will be subject to more stringent regulatory requirements because they are recombinant proteins for use in humans. The Company has no experience in obtaining regulatory approvals for 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.

As substantially all of the Company's operations are in Germany, they are exposed to risks related to fluctuations in foreign currency exchange rates. The Company does not utilize derivative instruments to hedge against such exposure.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the accounts of Proteo, Inc. and PBAG, its wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Furthermore, the Company classifies noncontrolling interests (previously referred to as "minority interest") as part of consolidated net earnings and includes the accumulated amount of noncontrolling interests as part of stockholders' deficit. Earnings (loss) per share reflects amounts attributable only to the Company, excluding noncontrolling interests. Increases and decreases in the Company's controlling financial interests in consolidated subsidiaries will be reported in equity similar to treasury stock transactions. If a change in ownership of a consolidated subsidiary results in loss of control and deconsolidation, any retained ownership interests are remeasured with the gain or loss reported in net earnings. The Company has a substantive contractual arrangement that specifies the attribution of net earnings and loss not to exceed the noncontrolling interest.

USE OF ESTIMATES

The Company prepares its consolidated financial statements in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues (if any) and expenses during the reporting period. Significant estimates made by management include, among others, realizability of long-lived assets, revenue recognition estimates for the Development Agreement, and estimates for deferred tax asset valuation allowances. Actual results could materially differ from such estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC" or the "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 and cash equivalents, receivables, and accounts payable and accrued liabilities approximate their fair value at December 31, 2018 and 2017 due to their short-term nature. The Company did not have any assets or liabilities that were measured at fair value on a recurring or non-recurring basis as of December 31, 2018 or 2017.

FOREIGN CURRENCY

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. Expense and grant receipts are translated at weighted average exchange rates for the period. Net exchange gains or losses resulting from such translation are excluded from the consolidated statements of operations and are included in comprehensive income (loss) and accumulated in a separate component of stockholders' deficit. Accumulated other comprehensive loss approximated $31,000 and $30,000 at December 31, 2018 and 2017, respectively.

The Company records quarterly payables related to a certain licensing agreement (Note 7) which 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 gain or loss results. The Company made no payments under this licensing agreement during the years ended December 31, 2018 and 2017.

Additionally, the Company computes a foreign exchange 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 unrealized gain or loss that is currently recognized. The Company recorded unrealized foreign currency transaction gains (losses) of approximately $30,000 and ($83,000) for the years ended December 31, 2018 and 2017, respectively, which are included in interest and other income, net in the accompanying consolidated statements of operations and comprehensive income (loss).

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid temporary cash investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of deposits with banks.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company capitalizes the cost of supplies used in its research and development activities if such supplies are deemed to have alternative future uses, usually in other research and development projects. Such costs are expensed as used to research and development expenses in the accompanying consolidated statements of operations. All other research and development costs are expensed as incurred.

The costs of materials that are acquired for a particular research and development project and that have no alternative future uses (in other research and development projects or otherwise) and therefore no separate economic values are expensed as research and development costs at the time the costs are incurred.

Nonrefundable advance payments for goods or services that have the characteristics that will be used or rendered for future research and development activities are deferred and capitalized as prepaid expenses. Such amounts are expensed to research and development as the related goods and services are received.

The Company may receive grants from the German government which are used to fund research and development activities (see Note 6). Grant funds to be received for the reimbursement of qualified research and development expenses are offset against such expenses in the accompanying consolidated statements of operations and comprehensive loss when the related expenses are incurred.

LONG-LIVED ASSETS

Property and equipment are recorded at cost and depreciated using the straight-line method over their expected useful lives, which range from 3 to 14 years. Leasehold improvements are amortized over the expected useful life of the improvement or the remaining lease term, whichever is shorter. Expenditures for normal maintenance and repairs are charged to income, and significant improvements are capitalized. The cost and related accumulated depreciation or amortization of assets are removed from the accounts upon retirement or other disposition; any resulting gain or loss is reflected in the consolidated statements of operations and comprehensive loss.

GAAP requires that certain long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset, an impairment loss is recognized. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value. Assets to be disposed are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that no indicators of impairment existed for property and equipment as of or during the years ended December 31, 2018 and 2017.

REVENUE RECOGNITION

On January 1, 2018, the Company adopted ASC Topic 606, Revenue from Contracts with Customers ("Topic 606") using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under ASC Topic 605, Revenue Recognition ("Topic 605").

Adoption of the new standard did not result in any change to the Company's opening retained earnings as of January 1, 2018 as product sale revenue is not significant.

As more fully described in Note 5, the Company's revenue primarily consist of the Development Agreement. 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.

In determining the appropriate amount of revenue to be recognized as it fulfills its performance obligations under its agreements, the Company performs the following steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

INCOME TAXES

The Company accounts for income taxes using the liability method in accordance with ASC Topic 740-10, Income Taxes. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided for significant deferred tax assets when it is more likely than not that such assets will not be recovered.

The Company also follows the provisions of ASC Topic 740-10 relating to accounting for uncertain tax positions. Under ASC Topic 740-10, the Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Company has not recognized any liabilities for uncertain tax positions as a result of ASC Topic 740-10. The Company expects any resolution of unrecognized tax benefits, if created, would occur while the full valuation allowance of deferred tax assets is maintained; therefore, the Company does not expect to have any unrecognized tax benefits that, if recognized, would affect the effective tax rate.

The Company will recognize interest and penalties related to any unrecognized tax benefits within the income tax expense line in the accompanying consolidated statements of operations. As of December 31, 2018 and 2017, management believes the Company has no unrecognized tax benefits.

The Company's income tax returns remain open for examination by taxing authorities for a statutory defined period of time. The Company is currently not under examination by any taxing authorities.

EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) per common share is computed based on the weighted average number of shares outstanding for the period. Diluted earnings (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted average shares outstanding assuming all dilutive potential common shares were issued. There were no dilutive potential common shares outstanding at December 31, 2018 or 2017.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the accompanying financial statements were filed with the SEC for transactions and other events which may require adjustment of and/or disclosure in such financial statements.

COMPREHENSIVE INCOME (LOSS)

Total comprehensive income (loss) represents the net change in stockholders' deficit during a period from sources other than transactions with stockholders and as such, includes net earnings or loss. For the Company, other comprehensive income (loss) represents the foreign currency translation adjustments, which are recorded as components of stockholders' deficit.

SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION

The Company considers itself to operate in one segment and has had no revenues from principal operations from inception. See Note 2 for information on long-lived assets located in Germany.

SIGNIFICANT RECENT ACCOUNTING PRONOUNCEMENTS

In March 2018, the FASB issued ASU No. 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin ("SAB") No. 118 (SEC Update). This standard adds various SEC paragraphs pursuant to the issuance of SEC Staff Accounting Bulletin No. 118, which clarifies the SEC Staff's views on income tax accounting implications of the Tax Cuts and Jobs Act (the "Act"). It requires reporting of provisional amounts for specific income tax effects of the Act for which the accounting under ASC Topic 740 will be incomplete, but a reasonable estimate can be determined. Provision amounts for income tax effects of the Act for which a reasonable estimate cannot be determined, ASC Topic 740 should be applied based on provisions of the tax laws that were in effect immediately prior to the Act being enacted. Provisional amounts for income tax effects for which a reasonable estimate cannot be determined would be reported in the first reporting period in which a reasonable estimate can be determined. In accordance with this standard and SAB 118, the Company reported provisional amounts for income tax effects from the Act as of December 31, 2017, and amounts were finalized as of December 31, 2018 with no adjustments made to the amounts previously recorded.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require, among other things, lessees to recognize for all leases (with the exception of short-term leases) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for the Company for the year beginning January 1, 2019. The Company does not believe the impact of adopting this standard will have a material effect on its consolidated financial statements and related disclosures.

2. PROPERTY AND EQUIPMENT

Property and equipment, all of which is located in Kiel, Germany, consist of the following:

	December 31,	
	2018	2017
Technical and laboratory equipment	$ 210,669	$ 220,511
Leasehold improvements	4,255	4,454
Office equipment	12,307	12,883
	227,231	237,848
Less accumulated depreciation	(222,302)	(230,795)
Total	$ 4,929	$ 7,053

Depreciation expense is included in general and administrative expense in the consolidated statements of operations and comprehensive income (loss) approximated $2,000 and $2,000 for the years ended December 31, 2018 and 2017, respectively.

3. STOCKHOLDERS' DEFICIT

COMMON STOCK

The Company is authorized to issue 300,000,000 shares of $0.001 par value common stock. The holders of the Company's common stock are entitled to one vote for each share held of record on all matters to be voted on by those stockholders.

On December 12, 2018, Proteo, Inc., entered into a Common Stock Purchase Agreement (the “Agreement”) with Jork von Reden (the “Investor”), who is also a member of the Company’s board of directors. Pursuant to the Agreement, the Company agreed to issue and sell to the Investor 1,000,000 shares of the Company’s Common Stock (the “Purchase Shares”) at the price of $0.08 per share (the “Purchase Price”), for an aggregate purchase price of USD $80,000. The Purchase Price was equal to the closing price of the Registrant’s common stock as quoted on the OTCQB on December 6, 2018. The initial closing of 500,000 of the Purchase Shares occurred upon the Company’s receipt of the initial payment of $40,000 of the Purchase Price. A second closing of the remaining 500,000 Purchase Shares will occur in January 2019 (the “Second Closing Date”). The Investor paid the remaining $40,000 Purchase Price with respect to the remaining Purchase Shares on January 14, 2019.

PREFERRED STOCK

The Company is authorized to issue 10,000,000 shares of preferred stock, $0.001 par value per share. Except as described below, the Board of Directors has not designated any liquidation value, dividend rates or other rights or preferences with respect to any shares of preferred stock.

The Board of Directors has designated 750,000 preferred shares as non-voting Series A Preferred Stock. Holders of Series A Preferred Stock are entitled to receive preferential dividends, if and when declared, at the per share rate of twice the per share amount of any cash or non-cash dividend distributed to holders of the Company's common stock.

On September 7, 2016, the Company designated 1,000,000 shares of its authorized preferred stock as Series B-1 Preferred Stock ("Series B-1 Stock").

The rights, preferences, and privileges of the Series B-1 Preferred Stock are as follows:

- Holders of shares of Series B-1 Preferred Stock are entitled to receive, when, as and if declared by the Board of Directors preferential dividends at the per share rate of 1.5 times the per share amount of each and any cash and non-cash dividend distributed to the holders of the Registrants common stock.

- Except as otherwise required by law, the Series B-1 Preferred Stock shall have no voting rights and not be entitled to vote as a separate class on a matter to be voted on by stockholders of the Company.

- Upon any liquidation, voluntary or otherwise, dissolution or winding up of the Registrant, holders of Series B-1 Preferred Stock will be entitled to receive per share distributions equal to 1.5 times the rate of per share distributions to be made to the holders of the Registrant's common stock.

- In the event the Registrant enters into any consolidation, merger, combination or other transaction in which the shares of common stock of the Registrant are exchanged into other stock or securities, cash and/or any other property, then in any such case each share of Series B-1 Preferred Stock shall automatically be simultaneously exchanged for or converted into the same stock or securities, cash and/or other property at a rate per share equal to 1.5 times the rate per share that the common stock is being exchanged or converted.

On September 9, 2016, the Company entered into a Preferred Stock Purchase Agreement (the "B-1 Stock Agreement") with a German corporation (the "B-1 Stock Investor"). Pursuant to the Agreement, the Company agreed to issue and sell to the B-1 Stock Investor 1,000,000 shares of the Company's Series B-1 Stock (the "Purchase Shares") at the price of €1.00 per share (the "Purchase Price"), for an aggregate purchase price of €1,000,000. The B-1 Stock Investor agreed to purchase such shares no later than March 31, 2017. However, the B-1 Stock Investor failed to deliver the purchase price by that date. During 2017 and 2016, the Company received €50,000 ($57,000) from the B-1 Stock Investor as a refundable deposit for the Initial Closing Date. Such amount is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheet at December 31, 2017. During 2018, the Company received an additional €50,000 (approximately $60,000) from the B-1 Stock Investor, and on September 27, 2018, the Company issued 100,000 shares of Series B-1 Stock pursuant to the terms of the B-1 Stock Agreement. The transaction was exempt from the registration requirements of the Securities Act of 1933, as amended, by virtue of the exemptions available under Regulation S and the rules promulgated thereunder.

On April 8, 2019, the Company designated 1,000,000 shares of its authorized preferred stock as Series B-2 Preferred Stock ("Series B-2 Stock").

The rights, preferences, and privileges of the Series B-2 Preferred Stock are as follows:

- Holders of shares of Series B-2 Preferred Stock are entitled to receive, when, as and if declared by the Board of Directors preferential dividends at the per share rate of 1.5 times the per share amount of each and any cash and non-cash dividend distributed to the holders of the Registrants common stock.

- Except as otherwise required by law, the Series B-2 Preferred Stock shall have no voting rights and not be entitled to vote as a separate class on a matter to be voted on by stockholders of the Company.

- Upon any liquidation, voluntary or otherwise, dissolution or winding up of the Registrant, holders of Series B-2 Preferred Stock will be entitled to receive per share distributions equal to 1.5 times the rate of per share distributions to be made to the holders of the Registrant's common stock.

- In the event the Registrant enters into any consolidation, merger, combination or other transaction in which the shares of common stock of the Registrant are exchanged into other stock or securities, cash and/or any other property, then in any such case each share of Series B-2 Preferred Stock shall automatically be simultaneously exchanged for or converted into the same stock or securities, cash and/or other property at a rate per share equal to 1.5 times the rate per share that the common stock is being exchanged or converted.

On April 10, 2019, the Company entered into a Preferred Stock Purchase Agreement (the "B-2 Stock Agreement") with a Swiss corporation (the "B-2 Stock Investor"). Pursuant to the B-2 Stock Agreement, the Company agreed to issue and sell to the B-2 Stock Investor 1,000,000 shares of the Company's Series B-2 Stock (the "Purchase Shares") at the price of €1.00 per share (the "Purchase Price"), for an aggregate purchase price of €1,000,000. An initial closing of 100,000 of the Purchase Shares will occur on June 30, 2019 or on such earlier date as the B-2 Stock Investor and

Registrant may agree (the "Initial Closing Date"). The B-2 Stock Investor agreed to deliver €100,000, which is the Purchase Price with respect to such Purchase Shares, on or before the Initial Closing Date. Subsequent closings of the remaining Purchase Shares will occur on the fifth (5th) business day after such date or dates that the B-2 Stock Investor delivers all or a portion of the Purchase Price with respect to such Purchase Shares; provided, however, that B-2 Stock Investor shall deliver the Purchase Price for all remaining Purchase Shares on or before June 30, 2020. The transaction was exempt from the registration requirements of the Securities Act of 1933, as amended, by virtue of the exemptions available under Regulation S and the rules promulgated thereunder.

NONCONTROLLING INTEREST

On September 28, 2006, a shareholder of the Company entered into an agreement and contributed 50,000 Euros (approximately $63,000 at such time) to PBAG for a 15% non-voting interest in PBAG, in accordance with certain provisions of the German Commercial Code. The party will receive 15% of PBAG profits, as determined under the agreement, not to exceed in any given year 30% of the capital contributed. Additionally, the party will be allocated 15% of losses, as determined under the agreement, not to exceed the capital contributed. The party is under no obligation to provide additional capital contributions to the Company or absorb losses beyond his ownership interest. Prior to 2008, allocated losses reduced the minority stockholder's capital account to $0. During the year ended December 31, 2018, approximately $3,000 of income was attributed to the noncontrolling interest, which has been reported as net income attributable to noncontrolling interest in the accompanying consolidated financial statements.

4. INCOME TAXES

There is no material income tax expense or benefit recorded for the years ended December 31, 2018 or 2017 due to the Company's net losses and related deferred tax asset full valuation allowance.

On December 22, 2017, the Tax Cuts and Jobs Act (2017 Tax Act) was enacted. The 2017 Tax Act includes a number of changes to existing U.S. tax laws that impact the Company, most notably a reduction of the U.S. corporate tax rate from 34% to 21%, for tax years beginning after December 31, 2017. The 2017 Tax Act also provides for the implementation of a territorial tax system, a one-time transition tax on certain foreign earnings, the acceleration of depreciation for certain assets placed into service after September 27, 2017 and other prospective changes beginning in 2018, including repeal of the domestic manufacturing deduction, acceleration of tax revenue recognition, capitalization of research and development expenditures, additional limitations on executive compensation and limitations on the deductibility of interest.

Income tax expense (benefit) for the years ended December 31, 2018 and 2017 differed from the amounts computed by applying the U.S. federal income tax rates of 21 percent and 34 percent, respectively, to the pretax income (loss) for the following reasons:

	2018	2017
Income tax expense (benefit) at U.S. federal statutory rates	$ 16,000	$ (85,000)
Impact of 2017 Tax Act	–	377,000
Foreign rate change impacts	70,000	(163,000)
Foreign rate differential	–	(7,000)
Change in valuation allowance	(88,000)	(101,000)
Other	2,000	(21,000)
	$ –	$ –

The Company has a deferred tax asset and an equal amount of valuation allowance of approximately $2,020,000 and $2,107,000 at December 31, 2018 and 2017, respectively, relating primarily to tax net operating loss carryforwards approximating $1,900,000, as discussed below, and temporary differences related to the recognition of accrued licensing fees approximating $120,000.

As of December 31, 2018, the Company had tax net operating loss carryforwards ("NOLs") of approximately $2,382,000 and $5,584,000 available to offset future taxable Federal and foreign income, respectively. The Federal

NOL begins to expire in 2025 over varying years. 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 tax NOLs could be restricted.

5. DEVELOPMENT AGREEMENT

On May 16, 2014, the Company entered into a funding and revenue sharing agreement (the "Development Agreement") with an unrelated third party. 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 (approximately $4 million). Through December 31, 2018, the Company received approximately €1.6 million of the €3.5 million maximum. 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 deferred and recognized as revenue over the projected performance period under the Development Agreement in relation to expenses incurred.

From inception of the Development Agreement through September 30, 2015, management estimated total Elafin related development expenses at €3.5 million. As revenues to be received also totaled €3.5 million, revenue was recognized at 100% of the related expenses incurred. Beginning October 1, 2015, management increased their estimate of remaining development expenses by €3.5 million and began recognizing revenues at 43% of related expenses. The increase in expenses was due to additional clinical indicators that will be explored by the Company.

For the years ended December 31, 2018 and 2017, the Company recognized approximately $99,000 and $199,000, respectively, of development income under the Development Agreement, which is included in revenues in the accompanying consolidated statements of operations and comprehensive income (loss). Deferred revenues approximated $0 and $83,000 at December 31, 2018 and 2017, respectively. At this time, we believe it is unlikely that the Company will receive any future amounts under the Development Agreement.

6. GRANTS

In June 2016, the German State of Schleswig-Holstein granted PBAG approximately 874,000 Euros (approximately $1,047,000) for further research and development of the Company's pharmaceutical product Elafin (the "Grant"). The Grant covers 50% of eligible research and development costs incurred from December 1, 2015 through November 30, 2019. Research and development expenses for the years ended December 31, 2018 and 2017 were reduced by approximately $306,000 and $191,000, respectively, for Grant funds received and accrued during those periods. Approximately €32,800 ($38,000) and €9,500 ($11,000) of additional eligible expenses were incurred during the years ended December 31, 2018 and 2017, respectively, that were not reimbursed by the respective year end. These receivables are included in the accompanying consolidated balance sheets as grant funds receivable.

7. RELATED PARTY LOAN

In March 2018, the Company's president provided a short-term loan of 50,000 Euro ($62,000) to the Company. If repayment was made by July 15, 2018, no interest would be charged. During July 2018, the Company repaid the short-term loan.

8. COMMITMENTS AND CONTINGENCIES

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, February 2012, February 2013, June 2014, and again in April 2017, 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 June 30, 2020. 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 an officer and director of the Company, beneficially owned approximately 26% of the Company's outstanding common stock as of December 31, 2018.

At December 31, 2018, the Company has accrued approximately $652,000 of licensing fees payable to Dr. Wiedow, which are included in long-term liabilities. This is a decrease over the respective accrual of approximately $683,000 at December 31, 2017, which was solely due to changes in foreign currency exchange rates that are included in interest and other income (expense), net in the accompanying consolidated statements of operations and comprehensive income (loss).

Pursuant to the License Agreement, as amended, Dr. Wiedow may terminate the License Agreement in the event of a breach which is not cured within 90 days following written notice of such breach. In addition, Dr. Wiedow may terminate the License Agreement immediately in the event of the Company’s bankruptcy, insolvency, assignment for the benefit of creditors, insolvency, liquidation, assignment of all or substantially all of its assets, failure to continue to develop Elafin. After any termination, to the extent permitted by applicable law, the Company will return all documents, information and data received by Dr. Wiedow and will immediately cease to develop, manufacture or sell Elafin.

ARTES BIOTECHNOLOGY LICENSE AGREEMENT

On November 15, 2004, the Company entered into an exclusive worldwide license and collaboration agreement with ARTES Biotechnology GmbH ("ARTES"). This agreement enables the Company to economically produce Elafin on a large scale by using the sublicensed yeast HANSENULA POLYMORPHA as a high performance expression system. Rhein Biotech GmbH ("Rhein") has licensed the yeast to ARTES, who in-turn sublicensed it to the Company. The agreement has a term of fifteen years with an annual license fee equal to the greater of 10,000 Euros or 2.5% royalties on the future sales of Elafin. Should the license agreement between Rhein and ARTES terminate, Rhein will assume the sublicense agreement with the Company under similar terms.

RHEIN MINAPHARM AGREEMENT

In August 2007, the Company's subsidiary entered into an agreement with Rhein Minapharm ("Minapharm") for clinical development, production and marketing of Elafin. The Company has granted Minapharm the nonexclusive right to market Elafin in Egypt and certain Middle Eastern and African countries. The Company may receive milestone-payments upon Minapharm's attainment of certain clinical milestones as well as royalties on any future net product sales. No payments under this agreement were received in 2018 or 2017. The Minapharm agreement terminates 15 years after the first commercial sales of licensed products.

LEASES

The Company has entered into short-term leases for office and laboratory facilities in Germany. The Company also leases office space in Irvine, California on a month-to-month basis. Total rental expense (including additional expenses) for all facilities for the years ended December 31, 2018 and 2017 approximated $36,000 and $31,000, respectively.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.
(Registrant)

Dated: April 15, 2019

By: /s/ Oliver Wiedow
Oliver Wiedow
Chief Executive Officer and
Chief Financial Officer (Principal Accounting Officer)

Pursuant to requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Capacity	Date
/s/ Oliver Wiedow Oliver Wiedow	Director, Principal Executive Officer and Chief Financial Officer (signed both as an Officer duly authorized to sign on behalf of the Registrant and as Principal Financial Officer and Chief Accounting Officer)	April 15, 2019
/s/ Jork von Reden Jork von Reden	Director	April 15, 2019
/s/ Hartmut Weigelt Hartmut Weigelt	Director	April 15, 2019

EXHIBIT 21

SUBSIDIARIES OF PROTEO, INC.

Proteo Biotech AG, a German joint stock corporation

EXHIBIT 31.1

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

I, Oliver Wiedow, certify that:

1. I have reviewed this annual report on Form 10-K (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 materially 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: April 15, 2019

By: /s/ Oliver Wiedow
Oliver Wiedow
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, Oliver Wiedow, certify that:

1. I have reviewed this annual report on Form 10-K (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 materially 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: April 15, 2019

By: /s/ Oliver Wiedow
Oliver Wiedow
Chief Financial Officer
(Principal Financial 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

The undersigned hereby certifies, in her capacity as an officer of Proteo, Inc. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to her knowledge:

(1) the Annual Report of the Company on Form 10-K for the period ended December 31, 2018 (hereinafter referred to as the "Annual Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: April 15, 2019

/s/ Oliver Wiedow
Oliver Wiedow
Chief Executive Officer and
Chief Financial Officer (Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer)

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO PROTEO, INC. AND WILL BE RETAINED BY PROTEO, INC. 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.