

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2012

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  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

88-0292249  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

2102 BUSINESS CENTER DRIVE, IRVINE, CALIFORNIA  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

92612  
(ZIP CODE)

(949) 253-4616

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

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

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

CLASS  
Common Stock, \$0.001 par value

NUMBER OF SHARES OUTSTANDING  
23,879,350 shares of common stock at April 11, 2012

**PROTEO, INC.  
AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)**

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**PART II - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**PROTEO, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED BALANCE SHEETS**

ASSETS	March 31, 2012 (Unaudited)	December 31, 2011
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 479,125	\$ 597,857
Research supplies	406,673	429,343
Prepaid expenses and other current assets	52,338	39,619
	<u>938,136</u>	<u>1,066,819</u>
<b>PROPERTY AND EQUIPMENT, NET</b>		
	<u>115,596</u>	<u>122,990</u>
	<u>\$ 1,053,732</u>	<u>\$ 1,189,809</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 74,696	\$ 92,843
Accrued licensing fees	40,017	155,400
	<u>114,713</u>	<u>248,243</u>
<b>LONG TERM LIABILITIES</b>		
Accrued licensing fees	<u>720,306</u>	<u>621,600</u>
	720,306	621,600
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Non-voting preferred stock, par value \$0.001 per share; 10,000,000 shares authorized; 694,590 shares issued and outstanding	695	695
Common stock, par value \$0.001 per share; 300,000,000 shares authorized; 23,879,350 shares issued and outstanding	23,880	23,880
Additional paid-in capital	8,567,634	8,567,634
Note receivable for sale of preferred stock	(282,897)	(362,017)
Accumulated other comprehensive income	201,529	153,129
Deficit accumulated during development stage	(8,292,128)	(8,063,355)
Total Proteo, Inc. Stockholders' Equity	<u>218,713</u>	<u>319,966</u>
Noncontrolling Interest	-	-
Total Stockholders' Equity	<u>218,713</u>	<u>319,966</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,053,732</u>	<u>\$ 1,189,809</u>

SEE ACCOMPANYING NOTES TO THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**PROTEO, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2012 AND 2011**  
**AND FOR THE PERIOD FROM NOVEMBER 22, 2000 (INCEPTION) THROUGH MARCH 31, 2012**

	THREE MONTHS ENDED MARCH 31,		NOVEMBER 22, 2000 (INCEPTION) THROUGH MARCH 31, 2012
	2012	2011	2012
REVENUES	\$ -	\$ -	\$ -
EXPENSES			
General and administrative	62,828	77,560	5,135,598
Research and development	129,314	96,860	3,660,024
	192,142	174,420	8,795,622
INTEREST AND OTHER INCOME (EXPENSE), NET	(36,631)	(81,948)	440,585
NET LOSS	(228,773)	(256,368)	(8,355,037)
LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	63,004
NET LOSS ATTRIBUTABLE TO PROTEO, INC.	(228,773)	(256,368)	(8,292,033)
PREFERRED STOCK DIVIDEND	-	-	(95)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (228,773)	\$ (256,368)	\$ (8,292,128)
BASIC AND DILUTED LOSS ATTRIBUTABLE TO PROTEO, INC. COMMON SHAREHOLDERS	\$ (0.01)	\$ (0.01)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	23,879,350	23,879,350	
NET LOSS ATTRIBUTABLE TO PROTEO, INC.	\$ (228,773)	\$ (256,368)	\$ (8,292,033)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	48,400	119,721	201,529
COMPREHENSIVE LOSS	\$ (180,373)	\$ (136,647)	\$ (8,090,504)

SEE ACCOMPANYING NOTES TO THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**PROTEO, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2012 AND 2011**  
**AND FOR THE PERIOD FROM NOVEMBER 22, 2000 (INCEPTION) THROUGH MARCH 31, 2012**

	THREE MONTHS ENDED MARCH 31,		NOVEMBER 22, 2000 (INCEPTION) THROUGH MARCH 31, 2012
	2012	2011	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss attributable to Proteo, Inc.	\$ (228,773)	\$ (256,368)	\$ (8,292,033)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	10,895	11,877	498,739
Bad debt expense	-	-	60,408
Loss on disposal of equipment	-	-	4,518
Foreign currency transaction losses	39,085	85,491	122,432
Changes in operating assets and liabilities:			
Research supplies	34,951	573	(446,979)
Prepaid expenses and other current assets	(11,837)	(22,649)	(153,779)
Accounts payable and accrued liabilities	(19,153)	44,665	45,718
Deferred fees	-	-	11,944
Accrued licensing fees	(39,500)	-	621,213
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(214,332)</b>	<b>(136,411)</b>	<b>(7,527,819)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment	-	(843)	(638,921)
Cash of reorganized entity	-	-	27,638
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-</b>	<b>(843)</b>	<b>(611,283)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of common stock	-	-	1,792,610
Proceeds from subscribed common stock and issuance of preferred stock to related party	79,120	82,010	6,508,078
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>79,120</b>	<b>82,010</b>	<b>8,300,688</b>
<b>EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>16,480</b>	<b>44,799</b>	<b>317,539</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(118,732)</b>	<b>(10,445)</b>	<b>479,125</b>
<b>CASH AND CASH EQUIVALENTS--BEGINNING OF PERIOD</b>	<b>597,857</b>	<b>698,534</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS--END OF PERIOD</b>	<b>\$ 479,125</b>	<b>\$ 688,089</b>	<b>\$ 479,125</b>

SEE ACCOMPANYING NOTES TO THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**PROTEO, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2012 (UNAUDITED)**

**1. NATURE OF BUSINESS AND BASIS OF PRESENTATION**

**BASIS OF PRESENTATION**

The accompanying condensed consolidated balance sheet as of December 31, 2011, which has been derived from audited financial statements, and the accompanying interim condensed consolidated financial statements as of March 31, 2012, for the three-month periods ended March 31, 2012 and 2011, and for the period from November 22, 2000 (Inception) through March 31, 2012 have been prepared by management pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial reporting. These interim condensed consolidated financial statements are unaudited and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments and accruals) necessary to present fairly the financial condition, results of operations and cash flows of Proteo, Inc. and its wholly owned subsidiary (hereinafter collectively referred to as the "Company") as of and for the periods presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Operating results for the three-month period ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012, or for any other interim period during such year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted in accordance with the rules and regulations of the SEC, although the Company believes that the disclosures made are adequate to make the information not misleading. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed with the SEC on March 27, 2012.

**NATURE OF BUSINESS**

The Company is a clinical stage drug development company focusing on the development of anti-inflammatory treatments for rare diseases with significant unmet needs. The Company's management deems its lead drug candidate Elafin for intravenous use to be one of the most prospective treatments of postoperative inflammatory complications in the surgical therapy of esophagus carcinoma, kidney transplantation and coronary arterial bypass surgery. Elafin appears to be also a promising compound for the treatment of pulmonary arterial hypertension. The clinical development is currently focused in Europe with the intention to receive the primary approval in Europe.

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

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

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

Proteo, Inc.'s common stock is currently quoted on the OTC QB under the symbol "PTEO".

**DEVELOPMENT STAGE CONSIDERATIONS**

The Company has been in the development stage since it began operations on November 22, 2000 and has not generated any significant revenues from operation. There is no assurance of any future revenues. At March 31, 2012, the Company has working capital of approximately \$743,000 and stockholders' equity of approximately \$219,000.

The Company will require substantial additional funding for continuing research and development, obtaining regulatory approval, and for the commercialization of its products.

**PROTEO, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2012 (UNAUDITED)**

DEVELOPMENT STAGE CONSIDERATIONS (continued)

Management has taken action to address these matters, which include:

- Retention of experienced management personnel with particular skills in the development of such products;
- Attainment of technology to develop biotech products; and
- Raising additional funds through the sale of debt and/or equity securities.

The Company's products, to the extent they may be deemed drugs or biologics, are governed by the United States Federal Food, Drug and Cosmetics Act and the regulations of state and various foreign government agencies. The Company's proposed pharmaceutical products to be used with humans are subject to certain clearance procedures administered by the above regulatory agencies. There can be no assurance that the Company will receive the regulatory approvals required to market its proposed products elsewhere or that the regulatory authorities will review the product within the average period of time.

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

Based on current cash on hand, anticipated collections of the notes receivable for preferred stock and estimates of future operating expenditures (which are largely based on historical averages), management believes that the Company has sufficient cash to cover its operations for the next 12 to 15 months. There is no assurance that actual operating expenses or anticipated collections of the notes receivable will match management's estimates. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CONCENTRATIONS

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

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

OTHER RISKS AND UNCERTAINTIES

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

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

PRINCIPLES OF CONSOLIDATION

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

**PROTEO, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2012 (UNAUDITED)**

PRINCIPLES OF CONSOLIDATION (continued)

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' equity. Earnings 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.

RESEARCH SUPPLIES

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

FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standard Board's ("FASB") Accounting Standards Codification ("ASC" or "Codification") requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. Management believes that the carrying amounts of the Company's financial instruments, consisting primarily of cash, accounts payable and accrued expenses, approximate their fair value at March 31, 2012 due to their short-term nature. The Company does not have any assets or liabilities that are measured at fair value on a recurring basis and, during the three-month periods ended March 31, 2012 and 2011 and for the period from November 22, 2000 (Inception) through March 31, 2012, did not have any assets or liabilities that were measured at fair value on a non-recurring basis.

SIGNIFICANT RECENT ACCOUNTING PRONOUNCEMENTS

In June 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-05, *Presentation of Comprehensive Income*. Under the amendments to Topic 220, *Comprehensive Income*, in this Update, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This Update eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this Update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. This Update is effective for public entities with fiscal years beginning after December 15, 2011. The accompanying condensed consolidated financial statements comply with the requirements of the Update.



**PROTEO, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2012 (UNAUDITED)**

SIGNIFICANT RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Except as described above, in the opinion of management, neither the FASB, its Emerging Issues Task Force, the AICPA, nor the SEC have issued any additional accounting pronouncements since the Company filed its December 31, 2011, Form 10-K that are expected to have material impact on the Company's future consolidated financial statements.

**2. STOCK SUBSCRIPTIONS RECEIVABLE AND OTHER EQUITY TRANSACTIONS**

The Company is authorized to issue 10,000,000 shares of preferred stock, \$0.001 par value. 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. As more fully described in the Company's Form 8-K filed with the SEC on June 11, 2008, 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. If no dividend is distributed to common stockholders, the holders of Series A Preferred Stock are entitled to an annual stock dividend payable at the rate of one share of Series A Preferred Stock for each twenty shares of Series A Preferred Stock owned by each holder of Series A Preferred Stock. The annual stock dividend shall be paid on June 30 of each year commencing in 2009 and no stock dividends will be paid after December 31, 2011.

The Company entered into a Preferred Stock Purchase Agreement, as amended, for preferred shares sold in 2008. During the three-month period ended March 31, 2012, the Company received payments approximating \$79,000, in connection with this agreement. The note receivable approximated \$283,000 at March 31, 2012.

There were no issuances of common stock during the three-month periods ended March 31, 2012 and 2011, nor have any stock options been granted from inception to date.

**3. LOSS PER COMMON SHARE**

Basic loss per common share is computed based on the weighted average number of shares outstanding for the period. Diluted loss per common share is computed by dividing net loss attributable 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 March 31, 2012 and 2011. Additionally, there were no adjustments to net loss to determine net loss available to common shareholders. As such, basic and diluted loss per common share equals net loss, as reported, divided by the weighted average common shares outstanding for the respective periods.

**PROTEO, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2012 (UNAUDITED)**

**4. FOREIGN CURRENCY TRANSLATION**

Assets and liabilities of the Company's German operations are translated from Euros (the functional currency) into U.S. dollars (the reporting currency) at period-end exchange rates; equity transactions are translated at historical rates; and income and expenses are translated at weighted average exchange rates for the period. Net foreign currency exchange gains or losses resulting from such translations are excluded from the results of operations but are included in other comprehensive income and accumulated in a separate component of stockholders' equity. Accumulated comprehensive income approximated \$202,000 at March 31, 2012 and \$ 153,000 at December 31, 2011.

**5. FOREIGN CURRENCY TRANSACTIONS**

The Company records payables related to a certain licensing agreement (Note 7) in accordance with the Foreign Currency Matters Topic of the Codification. Quarterly commitments under such agreement are denominated in Euros. For each reporting period, the Company translates the quarterly amount to U.S. dollars at the exchange rate effective on that date. If the exchange rate changes between when the liability is incurred and the time payment is made, a foreign exchange gain or loss results. The Company repaid 30,000 Euros under this licensing agreement during the three-month period ended March 31, 2012, and realized a currency exchange loss approximating \$3,000, which is included in interest and other income (expense), net in the accompanying condensed consolidated statements of operations and comprehensive loss.

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 gain or loss that is currently recognized. The Company recorded foreign currency transaction (losses) gains of approximately \$(36,000) and \$(85,000) for the three-month periods ended March 31, 2012 and 2011, which are included in interest and other income (expense), net in the accompanying condensed consolidated statements of operations and comprehensive loss.

**6. SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION**

The Company considers itself to operate in one segment and has not generated any significant operating revenues since its inception. All of the Company's property and equipment is located in Germany.

**7. DR. WIEDOW LICENSE AGREEMENT**

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. No payments were made through fiscal year 2003. In 2004, the License Agreement was amended to require the Company to make annual payments of 30,000 Euros, to be paid on July 15 of each year, beginning in 2004. Such annual payment could be increased to 110,000 Euros by June 1 of each year based on an assessment of the Company's financial ability to make such payments. In December 2007 the Company paid Dr. Wiedow 30,000 Euros. The License Agreement was again amended by an Amendment Agreement to the License Agreement (the "Amendment") dated December 23, 2008. Pursuant to the Amendment, the Company and Dr. Wiedow have agreed that the Company would pay the outstanding balance of 630,000 Euros to Dr. Wiedow as follows: for fiscal years 2008 to 2012, the Company shall pay Dr. Wiedow 30,000 Euros per year, and for fiscal years 2013 to 2016, the Company shall pay Dr. Wiedow 120,000 Euros per year. The foregoing payments shall be made on or before December 31 of each fiscal year. In December 2008 the Company paid Dr. Wiedow 30,000 Euros. No payments were made under this agreement during 2009, 2010 or 2011. 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 (0.12% as of January 1, 2011) plus six percent. In the event that the Company's financial condition improves, the parties can agree to increase and/or accelerate the payments. Subsequent to December 31, 2011, Dr. Wiedow agreed to waive the non-payment defaults and these payments were further deferred to dates through April 2013, with 30,000 Euros paid in February 2012 and another 30,000 Euros due within the next 12 months.

**PROTEO, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2012 (UNAUDITED)**

**7. DR. WIEDOW LICENSE AGREEMENT** (continued)

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 March 31, 2012, the Company has accrued approximately \$760,000 of licensing fees payable to Dr. Wiedow, of which approximately \$40,000 is included in current liabilities with the remainder included in 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.

Dr. Wiedow, who is a director of the Company, beneficially owned approximately 45% of the Company's outstanding common stock as of March 31, 2012.

On October 4, 1999, Dr. Wiedow and AstraZeneca PLC (formerly Zeneca Limited) entered into an agreement to assign all patents and technology related to Elafin to Dr. Wiedow in exchange for a royalty of 2% of any future net sales from such patents and technology. The Company, under its December 30, 2000 licensing agreement with Dr. Wiedow discussed above, assumed such royalty obligation.

**8. INCOME TAXES**

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

There is no material income tax expense recorded for the periods ended March 31, 2012 and 2011, due to the Company's net losses and related changes to the valuation allowance for deferred tax assets.

As of March 31, 2012, the Company has a deferred tax asset and an equal amount of valuation allowance of approximately \$2,197,000, relating primarily to federal and foreign net operating loss carryforwards of approximately \$539,000 and \$1,398,000, respectively, and temporary differences related to the recognition of accrued licensing fees of approximately \$259,000.

Based on management's evaluation of uncertainty in income taxes, the Company concluded that there were no significant uncertain tax positions requiring recognition in its financial statements or related disclosures. Accordingly, no adjustments to recorded tax liabilities or accumulated deficit were required. As of March 31, 2012, there were no increases or decreases to liability for income taxes associated with uncertain tax positions.

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

### CAUTIONARY STATEMENTS:

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

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

Since inception, the Company has generated a relatively minor amount of non-operating revenue from its licensing activities and does not expect to report any significant operating revenue until the successful development and marketing of its planned pharmaceutical and other biotech products. Additionally, after the launch of the Company's products, there can be no assurance that the Company will generate positive cash flow and there can be no assurances as to the level of revenues, if any, the Company may actually achieve from its planned principal operations.

### OVERVIEW

The Company is a clinical stage drug development 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.

Proteo 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.

Proteo has obtained Orphan drug designations within the European Union for the use of Elafin in treatment for the treatment of pulmonary arterial hypertension and chronic thromboembolic pulmonary hypertension as well as for the treatment of esophagus carcinoma. 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 European Medicines Agency ("EMA"), the European FDA equivalent, can be drawn upon.

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

Proteo currently focuses on the clinical development of Elafin for treatment of postoperative inflammatory complications in the surgical therapy of esophagus carcinoma. Clinical trials for further indications and preclinical research into new fields of application are conducted in cooperation with Universities and our licensing partner Minapharm.

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 GMP standards as required for clinical trials. The excellent tolerability of Elafin in human subjects was demonstrated in a Phase I clinical single dose escalating study. The drug candidate is currently being investigated in clinical trials for three diseases:

### **Treatment of Esophagus Carcinoma**

A double-blind, randomized, 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 esophagectomy for esophagus carcinoma. We announced the favorable influence of Elafin treatment on the postoperative recovery in February 2011. The trial showed that intravenously administered Elafin has a very clear positive effect on the period of recovery: 63 percent of the Elafin treated patients required only one day of intensive care. All patients in the placebo group needed several days of postoperative intensive medical care. In January 2010 Orphan Drug Designation was awarded to the Company by the European Commission for the use of Elafin in the treatment of esophagus carcinoma. At years end 2010 the European Medicines Agency ("EMA") gave scientific advice and protocol assistance to the Company for further clinical development in this indication. Protocol assistance is the special form of scientific advice available for companies developing medicines for 'orphan' or rare diseases. The future clinical development and prerequisites for marketing authorization are currently subject to discussions with the EMA.

### **Treatment of Coronary Bypass Patients**

In September 2009 the Company signed a Memorandum of Understanding with the University of Edinburgh. Within the framework of collaboration, the recruitment and treatment of patients into the EMPIRE (Elafin Myocardial Protection from Ischaemia Reperfusion Injury) Study, which is investigating the efficacy of Elafin in preventing complications of coronary bypass surgery, was started in the third quarter of 2011. EMPIRE is a placebo-controlled, double-blinded, monocentric Phase-II study with 80 patients. Currently, approximately 45 percent of the patients have been treated. The study is being 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. The aim of the study is to investigate the efficacy and safety of intraoperatively administered Elafin in coronary bypass surgery. The study is funded by the Medical Research Council (MRC) and Chest Heart & Stroke Scotland (CHSS) with funding in excess of 500,000 GBP.

### **Treatment of Kidney Transplantation**

In August 2007, we entered into a license agreement with Minapharm Pharmaceuticals SAE ("Minapharm"), a well established Egyptian pharmaceutical company based in Cairo, for clinical development, production and marketing of Elafin. We have granted Minapharm the right to exclusively market Elafin in Egypt and certain Middle Eastern and African countries. The Company's licensing and development partner, Minapharm Pharmaceuticals SAE, has initiated a Phase II clinical trial on the use of Elafin in kidney transplantation patients. This trial is concerned with the prevention of acute organ rejection and chronic graft injury (allograft nephropathy) and will be conducted at the University of Cairo. The start and conduct of the trial may be influenced by the actual political situation in Egypt. Actually, the consequences cannot be overseen by management.

## **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 ventilation induced injury. The group presented new 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 show 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 will fund 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.

### **Vascular damage**

The Company entered into an agreement with the Molecular Imaging North Competence Center (MOIN CC) at the Christian-Albrechts-University of Kiel in April 2010. Under this agreement the effects of Elafin on vascular changes are being examined in animal models.

### **Life-threatening Infections**

In June 2010 the Company signed a cooperative research and development agreement with the US Army Medical Research Institute of Infectious Diseases (USAMRIID). This agreement allows USAMRIID to use Proteo's Elafin and related scientific data in order to plan and conduct preclinical research on the development of new therapeutic strategies to combat life-threatening infectious diseases, in an investigation into the use of Elafin as a co-therapy with antibiotics.

## RESULTS OF OPERATIONS

### OPERATING EXPENSES

The Company's operating expenses for the three-month period ended March 31, 2012 approximated \$192,000, an increase of approximately \$18,000 over the respective period of the prior year. General and administrative expenses (mostly professional and legal fees) for the three-month period decreased \$15,000, which was due to lower professional fees related to SEC filings, as well as lower average exchange rates for the three-months ended March 31, 2012 compared to the same period in 2011. Research and development expenses increased \$32,000 over the same period. The increase in research and development expenses was primarily driven by the clinical research described above.

### INTEREST AND OTHER INCOME (EXPENSE)

Net interest and other income (expense) for the three-month period ended March 31, 2012 approximated (\$37,000), compared to (\$82,000) for the respective period in 2011, a net change of approximately \$45,000. The decrease is driven primarily by foreign currency transaction losses in 2012 caused by the strengthening of the U.S. Dollar compared to the Euro.

### INCOME TAXES

There is no material income tax expense recorded for the periods ended March 31, 2012 and 2011, due to the Company's net losses. As of March 31, 2012, the Company has a deferred tax asset and an equal amount of valuation allowance of approximately \$2,197,000, relating primarily to federal and foreign net operating loss carryforwards of approximately \$539,000 and \$1,398,000, respectively, as discussed below, and timing differences related to the recognition of accrued licensing fees of approximately \$259,000.

The Company has federal and foreign net operating loss carry forwards approximating \$1,585,000 and \$5,592,000, respectively at March 31, 2012, which are expected to begin expiring in 2025 for federal purpose and for foreign purpose it has an indefinite life. 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 tax NOLs could be severely restricted.

### FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

The Company experienced a net gain (loss) of approximately \$48,000 and \$120,000 in foreign currency translation adjustments during the three-month periods ended March 31, 2012 and 2011, respectively. The changes are primarily due to a fluctuating U.S. Dollar (our reporting currency) compared to the Euro (our functional currency) during the periods.

### LIQUIDITY AND CAPITAL RESOURCES

During the three-month period ended March 31, 2012, the Company received payments approximating \$79,000 in connection with a subscription agreement for the sale of Series A Preferred Stock. The related note receivable approximated \$283,000 at March 31, 2012. See Note 2 to the condensed consolidated financial statements included elsewhere herein for the payment terms under the promissory note.

Proteo is a holding company that owns 100% of Proteo Biotech AG, its operating subsidiary in Germany (the "Subsidiary"). To date the Subsidiary has not had any earnings, and it does not expect to have any 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).

As of December 31, 2011, the Company had not made the required accrued licensing fee payments to Dr. Wiedow of 30,000 Euros on each of December 31, 2011, 2010 and 2009, pursuant to the terms of their License Agreement, as amended. During the three-month period ended March 31, 2012, a payment in the amount of 30,000 Euros was made to Dr. Wiedow. Dr. Wiedow has agreed in writing to waive the non-payment defaults and to defer the other payments until April 2013. See Note 7 to the consolidated financial statements included elsewhere for the payment terms under the License Agreement.

The Company has cash approximating \$479,000 as of March 31, 2012 to support current and future operations. This is a decrease of \$119,000 over the December 31, 2011 cash balance of approximately \$598,000. Such cash is held by the Subsidiary in Germany in Euros. The Company does not intend to repatriate any amount of this cash to the United States as it will be used to fund the Subsidiary's continued operations. Management believes that the Company will not generate any significant revenues in the next few years. Given the Company's current cash on hand and anticipated collection on its note receivable (approximately \$283,000), management believes the Company has sufficient cash on hand to cover its operations for the next 12 to 15 months. As for periods beyond the next 12 to 15 months, we expect to continue to direct the majority of our research and development expenses towards the development of Elafin, although 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; and
- the uncertainty of our ability to raise additional capital to support our future research and development efforts beyond December 2012.

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 debt securities. There can be no assurance, however, that the Company will be able to generate revenues from outlicensing activities and/or to consummate debt or equity financing in a timely manner, or on a basis favorable to the Company, if at all.

#### RESEARCH SUPPLIES

The Company's capitalized research supplies have decreased from \$429,000 at December 31, 2011 to \$407,000 at March 31, 2012. The decrease is primarily the result of supplies being consumed in connection with the clinical research and development activities, as discussed previously in Part 1, Item 2 of this Form 10-Q.

#### OFF BALANCE SHEET ARRANGEMENTS

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

#### CAPITAL EXPENDITURES

None significant.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

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

### **ITEM 4. CONTROLS AND PROCEDURES**

#### a) Evaluation of Disclosure Controls and Procedures

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

As required by Rule 13a-15 under the Exchange Act, our management, including Birge Bargmann our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2012. Based on that evaluation, Ms. Bargmann concluded that as of March 31, 2012, and as of the date that the evaluation of the effectiveness of our disclosure controls and procedures was completed, our disclosure controls and procedures were effective.

#### b) Changes in Internal Control Over Financial Reporting

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

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

None.

### ITEM 1A. RISK FACTORS

Not required for SRCs.

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

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION.

None.

### ITEM 6. EXHIBITS.

Exhibits:

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



**SIGNATURES**

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

**PROTEO, INC.**

Dated: May 14, 2012

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

**EXHIBIT 31.1**

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

I, Birge Bargmann, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Proteo, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting, and;
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2012

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

**EXHIBIT 31.2**

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

I, Birge Bargmann, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Proteo, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and;
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2012

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

**EXHIBIT 32**

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

In connection with the Quarterly Report of Proteo, Inc., a Nevada corporation (the "Company"), on Form 10-Q for the quarter ended March 31, 2012, as filed with the Securities and Exchange Commission (the "Report"), Birge Bargmann, Chief Executive Officer and Chief Financial Officer, does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss. 1350), that to her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2012

/s/ Birge Bargmann

Birge Bargmann  
CHIEF EXECUTIVE OFFICER AND  
CHIEF FINANCIAL OFFICER

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

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