

Interim Report, Q2 and H1 2014

CORTENDO REPORTS RESULTS AND ACTIVITIES FOR THE Q2 AND H1 OF 2014

HIGHLIGHTS - H1'2014 AND POST PERIOD

- First patient enrolled into the NormoCort™ Phase 3 SONICS trial - continued progress on trial implementation. The internal and external NormoCort development team has been further strengthened
- Matthew Pauls recruited as new CEO – effective Aug 25
- Strategic review to further strengthen focus on orphan drugs and metabolic disease
- Net loss for the Group was SEK 8.6 (5.6) million in Q2'2014 (Q2'2013) and SEK 19.8 (9.7) million in H1'2014 (H1'2013), reflecting increased R&D activities
- Cash and cash equivalents amounted to SEK 75.4 million, compared to SEK 31.6 million at 30 June 2013 and SEK 97.1 million at the end of December 2013
- Cortendo is currently preparing for and is targeting an Initial Public Offering and listing on the Oslo Stock Exchange during Q4'2014

About Cortendo

Cortendo AB is a biopharmaceutical company focused on orphan drugs and metabolic diseases. The lead drug candidate NormoCort is in Phase 3 development for Cushing's Syndrome. Cortendo's wholly owned subsidiary BioPancreate Inc. is developing a potentially breakthrough diabetes type 1 and 2 therapy based on modified 'probiotic' Lactobacillus bacteria. Cortendo's business model is to commercialize orphan and specialist product opportunities in key markets, and to partner non-specialist product opportunities, such as BioPancreate's diabetes product, at relevant development stages.

OPERATIONAL REVIEW

Pipeline development

NormoCort – orphan drug for Cushing’s syndrome

About NormoCort

NormoCort is in Phase 3 development for an orphan disease, Cushing’s Syndrome. NormoCort has received orphan drug designation in the US and EU. The product consists of the most active enantiomer of ketoconazole, ie. levdexketoconazole or 2S,4R ketoconazole. During 2014 Cortendo initiated the SONICS trial, i.e. “Study Of NormoCort In Cushing’s Syndrome”. Historically NormoCort has been dosed in 160 subjects during Phase 1 and Phase 2 trials for type 2 diabetes and metabolic syndrome. There are circa 50,000 patients with Cushing’s Syndrome in the US and Europe, of which approximately half may be eligible for pharmaceutical therapy

Cortendo has continued the implementation of the Phase 3 SONICS trial, i.e., “Study Of NormoCort In Cushing’s Syndrome”. In August Cortendo announced that the first patient has been enrolled into the trial.

In addition to the US IND and UK CTA approvals announced during 2013, Cortendo has now received additional approvals in Spain, Belgium, Netherlands, France, Israel, Sweden and Denmark, bringing the total country approvals to nine.

The start-up of a multi-country 45-site study is a complex process involving harmonization of protocols and several layers of ethical, contractual, and regulatory approvals at both the country level as well as local hospital and investigator level. Cortendo has further strengthened its internal as well as external teams to support the study and to position the trial for an increased recruitment rate. Cortendo, working in concert with its CROs for the SONICS trial, now has a team of approximately 20 personnel supporting the NormoCort development. While Cortendo expected faster implementation of the start-up phase, we believe that the overall effort is bearing fruit and is showing noticeably higher effectiveness.

Cortendo successfully completed its European Investigator meeting supporting SONICS held in Barcelona, Spain on July 17-18. More than 35 investigators/study coordinators, including many of the world’s leading Cushing’s experts from 24 study sites, were in attendance and received training for the trial. Based on the positive feedback from the meeting, Cortendo has gained further confidence that NormoCort (COR-003) has the potential to be an important future treatment option for patients afflicted with Cushing’s Syndrome. A second US Investigator meeting is also being planned for later this year.

Cortendo has previously communicated its plan to meet the recruitment goal by increasing the number of study sites from 38 to 45 worldwide. The company is at various levels of activation with more than 30 study sites to date. Therein, Cortendo expects a large proportion of the sites to be activated by the end of the third quarter this year and remains confident that essentially all sites will be open by the end of 2014.

*BioPancreate – modified ‘probiotic’ bacteria for Type 1 and 2 diabetes***About BioPancreate Inc. and its technology and diabetes product**

BioPancreate Inc. is a wholly owned US subsidiary of Cortendo AB. It is developing a novel, orally administered biological therapeutic utilizing modified probiotic human bacteria. BioPancreate’s product candidates for diabetes are modifications of naturally occurring bacteria (Lactobacillus) that exist in the human gastrointestinal tract. Natural probiotics have been shown to be both safe and beneficial when taken orally. These modified human bacteria express an active agent and deliver such agents to the gastrointestinal tract, triggering the transformation of intestinal entero-endocrine cells into glucose-responsive insulin secreting cells, i.e. pancreas-like beta cells. These effects have been demonstrated in various preclinical diabetes models to date. The lead compound is currently in preclinical development.

BioPancreate is continuing to work with subcontractors with the scale-up of the manufacturing of drug substance. It is also in the process of confirming with the FDA the development plan to an investigational new drug application. BioPancreate Inc.’s next major milestone is to complete the pre-clinical development phase and file a US IND. If accepted, this would allow the company to start Phase 1 clinical development for its novel diabetes project.

*Next Generation Cortisol inhibitors – for Cushing’s Syndrome***About Next Generation Cortisol inhibitors**

During 2011 Cortendo initiated a chemical screening project to find new potent and selective compounds that lower cortisol. The research has resulted in the submission of 4 patent applications for distinct chemical series. The current therapeutic focus of the project is Cushing’s Syndrome. The strategic goal of the project is to develop a product that is significantly differentiated from NormoCort regarding both efficacy and safety characteristics.

The next generation cortisol inhibitor project has been focused on the selection of the most promising lead compounds from the group of compounds identified through the chemical synthesis and screening program performed 2011-13. The investment into the area has been low during 2014, as the company has focused on the NormoCort Phase 3 trial implementation. The primary goal of the project is to find a lead candidate and backup that can enter preclinical development in 2015.

Pipeline development - strategic review

In the Q2, the board made the decision that the company is to further strengthen its focus on orphan drugs and metabolic disease. Cortendo will prioritize investments in its lead Phase 3 orphan drug NormoCort, next generation cortisol inhibitors for Cushing’s Syndrome, and the innovative diabetes projects acquired through BioPancreate, a wholly owned subsidiary of Cortendo. As a result, Cortendo will discontinue investments in the therapeutic area of osteoarthritis, and the license for the commercial rights of Crespine and Crespine Plus will be returned to its licensor.

Public listing on the Oslo Stock Exchange targeted during Q4’2014

Cortendo has invested significant resources into improving its internal operations in preparation for a potential official public exchange listing, including adoption of IFRS accounting standards for its financial reporting. In addition, Cortendo has added new management capacity. Cortendo is currently preparing for and is targeting an Initial Public Offering and listing on the Oslo Stock Exchange during Q4’2014.

Key news releases in the H1'2014 and post H1 period

BioPancreate received notice of allowance for core patent for oral diabetes treatment

In March Cortendo announced that the US Patent Office has granted a Notice of Allowance for the first key patent covering its core technology relating to the use of commensal bacteria that are modified to secrete GLP-1 for the treatment of diabetes. This technology is exclusively licensed to BioPancreate.

Organizational changes - Matthew Pauls to become new CEO of Cortendo and H Joseph Reiser to assume Chairman position

In August Cortendo announced the appointment of Matthew Pauls as President and Chief Executive Officer effective Monday, August 25, 2014. Mr. Pauls brings to Cortendo more than 20 years of experience in the pharmaceutical industry, including senior-level leadership roles in most operational areas, in particular new product launches and commercial operations, clinical development, and technical operations. Mr. Pauls experience includes positions at both leading pharmaceutical companies and at small, publicly traded biopharmaceutical companies like Insmed, Inc., focusing on orphan drug therapies.

Prior to joining Cortendo, Mr. Pauls was Chief Commercial Officer of Insmed, Inc. In this role, Mr. Pauls built out the global commercial strategy and organization, and led the global technical operations efforts. Mr. Pauls also played a key role in investor interactions and financings. Prior to Insmed, Mr. Pauls worked at Shire Pharmaceuticals, most recently as Senior Vice President, Head of Global Commercial Operations. Mr. Pauls also held positions at Bristol-Myers Squibb in Brand Management and Payor Marketing and at Johnson & Johnson in various US and global commercial roles. Mr. Pauls holds BS and MBA degrees from Central Michigan University and a JD from Michigan State University College of Law.

As previously announced, following the appointment of the new CEO, Dr. H. Joseph Reiser will assume the position of Chairman of the Board of Cortendo AB. Mr. Eigil Stray Spetalen, the current Chairman will step down to assume a regular Board position. The Board of Cortendo will continue to consist of six members.

Dr. Hilde H. Steineger and Espen T. Jørgensen were elected to the Board of Directors on the shareholder meeting on January 17, 2014.

FINANCIAL REVIEW

Cortendo's products are in the research and development phase, and Cortendo does not currently have any product-based revenues. The following text references the financial statements of the Group in the reporting currency SEK beginning on page 8. In addition, a convenience translation of the Group statement of comprehensive income and balance sheet into US dollars has been provided in appendix 1, which is shown on page 16. This translation has not been performed in accordance with IFRS.

Results for the Q2 and H1 of 2014

Adjusted for some delays to the phasing of costs in the pipeline projects, the development of actual costs was broadly in line with planning assumptions. Operating expenses for Q2'2014 amounted to SEK 12.2 million and SEK 24.2 million in H1'2014, compared to SEK 5.4 million in Q2'2013 and SEK 9.2 million in H1'2013.

Costs for R&D (which include patent costs) constitute the key cost drivers. For Q2'2014 R&D costs amounted to SEK 9.0 million of operating expenses and SEK 16.9 million for H1'2014. For Q2 and H1 of 2013, R&D costs constituted SEK 3.4 million and SEK 6.0 million of operating expenses, respectively.

Included in the R&D costs as reported above are accrued expenses relating to activities of the CRO amounting of SEK 1.8 million for Q2'2014 and SEK 2.7 million for H1'2014. However, the payment schedule to the CRO is based on achievements of certain measures of progress in the study, and these accrued expenses have not been paid out during the periods. The R&D cost increase is due to the start-up of the Phase 3 NormoCort SONICS trial, including related activities such as manufacturing of drug product, and higher expenses for BioPancreate due increased activities related to manufacturing of drug substance and pre-clinical development.

For Q2' 2014 G&A costs were SEK 3.1 million of operating expenses and SEK 7.3 million for H1'2014. G&A costs for the same periods constituted SEK 1.9 million and SEK 3.1 million of operating expenses, respectively.

Net financial items for Q2' 2014 were SEK 3.6 million, compared to SEK -0.3 million for Q2' 2013. Interest on liquid assets, and in particular positive effects from the strength in the Norwegian Krona on cash deposits and strength in the US dollar on the forward contracts held by the company, led to the positive financial net. The current company policy with regards to cash management is to primarily hold its cash with major Nordic banks but to hedge a significant portion of its future predicted USD based expenses, which represent the vast majority of expected outflows.

The Net Loss was SEK 8.6 million for the Q2'2014 and SEK 19.8 million in H1'2014, compared to SEK 5.6 million and SEK 9.7 million for the same periods in 2013.

Earnings per share were SEK -0.10 for the Q2 2014 and SEK -0.23 in H1'2014, compared to SEK -0.10 and SEK -0.17 for the same periods in 2013.

Cash flow

Cash flow from operations was SEK -9.7 million for the Q2 2014 and SEK -21.7 million in H1'2014, compared to SEK -6.1 million and SEK -10.9 million for the same periods in 2013.

Cash Position and Balance sheet

At 30 June 2014, cash and cash equivalents amounted to SEK 75.4 million compared to SEK 31.6 million at 30 June 2013, and SEK 97.1 million at the end of December 2013. By the end of the quarter Cortendo had outstanding USD based hedging contracts covering NOK 57.5 million (SEK 63.2 million), and in addition held cash in US dollars corresponding to SEK 5.4 million).

Equity stood at SEK 113.1 million at 30 June 2014, up from SEK 51.7 million at the end of the Q2 2013. The increased equity and improved liquidity position mainly reflects share capital increases and the acquisition of BioPancreate Inc. during 2013.

Total liabilities amounted to SEK 5.5 million at 30 June 2014, compared to SEK 1.4 million at the same time last year, and SEK 6.6 million the end of 2013.

Shareholder information

Cortendo AB is currently listed on the NOTC-A-list (OTC) in Norway, and has approximately 500 shareholders mainly from Norway, Sweden and the U.S.

The total number of outstanding shares per 30 June 2014 was 87,335,863, with a total number of outstanding share options of 5,766,000. Strike prices vary from SEK 1.00-8.76 per share, with an average of SEK 3.04 per share.

Financial calendar 2014

Cortendo plans to present its financial results according the following schedule:

Q3 2014: 18 November 2014

Q4 2014: 24 February 2015

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Risk and uncertainty

The development of pharmaceuticals carries significant risk. Failure may occur at any stage during development and commercialization due to safety or clinical efficacy issues. Delays may occur due to requirements from regulatory authorities, difficulties in recruiting patients into clinical trials due to physician or patient preferences or competing products, not anticipated by the company. There is no assurance that Cortendo will receive marketing and regulatory approvals necessary to commercialize or produce NormoCort or other products. Regulatory approvals may be denied, delayed, limited or revoked.

The commercial success of NormoCort, if approved in a territory, cannot be predicted with certainty. In addition, Cortendo may face the risk of interrupted supply of NormoCort for clinical or commercial use from the subcontractors Cortendo has contracted.

About Cortendo

Cortendo AB is a biopharmaceutical company headquartered in Göteborg, Sweden. Its stock is publicly traded on the NOTC-A-list (OTC) in Norway. Cortendo is a pioneer in the field of cortisol inhibition and has completed early clinical trials in patients with Type 2 diabetes. The lead drug candidate NormoCort, the 2S, 4R-enantiomer of ketoconazole, has been re-focused to Cushing's Syndrome, and has entered Phase 3 development. The company's strategy is to primarily focus its resources within orphan drugs and metabolic diseases and to seek opportunities where the path to commercialization or partnership is clear and relatively near-term. Cortendo's business model is to commercialize orphan and specialist product opportunities in key markets, and to partner non-specialist product opportunities such as diabetes at relevant development stages.

Cortendo Forward-looking Statements

This press release contains forward-looking statements concerning Cortendo that involve a number of risks and uncertainties. All statements other than statements of historical facts included in this press release, including, without limitation, statements regarding the Company's future financial position, strategy, anticipated investments, costs and results, plans, projects to enhance efficiency, outcomes of products development, future capital expenditures, liquidity requirements and objectives of management for future operations, may be deemed to be forward looking statements. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted, whether expressed or implied, by these forward looking statements. Given these risks and uncertainties, investors should not place any undue reliance on forward looking statements as a prediction of actual results. None of these forward looking statements constitutes a guarantee of the future occurrence of such facts and data or of actual results. These statements are based on data, assumptions and estimates that the Company believes are reasonable. The forward looking statements contained in this document are made only as of the date hereof. The Company expressly disclaims any obligation or undertaking to release publicly any updates of any forward-looking statements contained in this press release to reflect any change in its actual results, assumptions, expectations or any change in events, factors, conditions or circumstances on which any forward looking statement contained in this press release is based.

Condensed Financial Statements

Group

Statement of Comprehensive Income

Amounts in SEK	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Full Year 2013
General and administrative costs	-3 123 563	-1 899 471	-7 307 725	-3 072 938	-15 419 729
Research and development costs	-9 041 776	-3 411 928	-16 864 370	-5 984 290	-15 386 366
Share of loss in associates	–	-70 157	–	-139 018	-275 772
Operating profit/loss	-12 165 339	-5 381 556	-24 172 095	-9 196 246	-31 081 867
Financial income	3 760 860	106 765	7 535 226	120 478	4 145 370
Financial expenses	-189 182	-374 970	-3 121 475	-648 745	-5 886 009
Profit/loss after financial items	-8 593 661	-5 649 761	-19 758 344	-9 724 513	-32 822 506
Income tax expense	–	–	–	–	–
Profit/loss for the period	-8 593 661	-5 649 761	-19 758 344	-9 724 513	-32 822 506
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit/loss</i>					
Translation difference	-61 572	–	-61 572	–	–
Comprehensive income for the period	-8 655 233	-5 649 761	-19 819 916	-9 724 513	-32 822 506
Earnings/loss per share after tax (SEK)	-0,10	-0,10	-0,23	-0,17	-0,50
Earnings/loss per share after dilution (SEK)	-0,10	-0,10	-0,23	-0,17	-0,50
Number of shares	87 335 863	61 868 093	87 335 863	61 868 093	87 335 863
Average number of shares	87 335 863	57 087 897	87 335 863	56 262 204	66 007 781
Outstanding options	5 766 000	5 330 000	5 766 000	5 330 000	5 651 000
Number of shares after dilution	93 101 863	67 198 093	93 101 863	67 198 093	92 986 863
Average number of shares after dilution	93 062 687	63 104 549	93 024 985	61 937 427	72 227 328

Group

Balance sheet

Amounts in SEK	Jun 2014	Mar 2014	Dec 2013	Sep 2013	Jun 2013
ASSETS					
<i>Non-current assets</i>					
Intangible assets	40 274 374	40 272 747	40 272 747	-	-
Tangible assets	55 661	61 014	41 146	42 673	26 967
Financial assets	78 379	78 379	78 379	21 324 594	21 394 717
Total non-current assets	40 408 414	40 412 140	40 392 272	21 367 267	21 421 684
<i>Current assets</i>					
Current receivables, non-interest bearing	2 819 262	956 440	1 383 248	999 396	112 760
Cash and cash equivalents	75 375 909	85 167 516	97 123 121	101 046 798	31 607 577
Total current assets	78 195 171	86 123 956	98 506 369	102 046 194	31 720 337
Total assets	118 603 585	126 536 096	138 898 641	123 413 461	53 142 021
EQUITY AND LIABILITIES					
<i>Shareholders' equity</i>	<i>113 054 598</i>	<i>121 403 867</i>	<i>132 316 512</i>	<i>121 607 227</i>	<i>51 746 580</i>
<i>Short-term liabilities</i>					
Current liabilities, non-interest bearing	5 548 987	5 132 229	6 582 129	1 806 234	1 395 441
Total short-term liabilities	5 548 987	5 132 229	6 582 129	1 806 234	1 395 441
Total equity and liabilities	118 603 585	126 536 096	138 898 641	123 413 461	53 142 021

Group

Changes in Equity

Amounts in SEK	Share capital	Non registered share capital	Other capital contribution	Profit/loss carried forward	Total share- holders equity
Shareholders' equity, January 1, 2013	49 022 043	6 822 777	172 676 270	-185 434 554	43 086 536
Net profit/loss for the period				-9 724 513	-9 724 513
<i>Transactions with shareholders</i>					
Sharebased compensation				130 418	130 418
Issue of shares	12 846 050	-6 822 777	12 230 866		18 254 139
Shareholders' equity, June 30, 2013	61 868 093	-	184 907 136	-195 028 649	51 746 580
Shareholders' equity, January 1, 2014	87 335 863	-	261 386 264	-216 405 615	132 316 512
Net profit/loss for the period				-19 819 916	-19 819 916
<i>Transactions with shareholders</i>					
Sharebased compensation				558 002	558 002
Issue of shares					-
Shareholders' equity, June 30, 2014	87 335 863	-	261 386 264	-235 667 529	113 054 598

Group**Cash Flow Statement**

Amounts in SEK	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Full Year 2013
Net result	-8 593 661	-5 649 761	-19 758 344	-9 724 513	-32 822 506
<i>Adjustment for items not affecting cash flow:</i>					
Sharebased compensation	305 965	31 263	558 002	130 418	933 369
Revaluation of financial assets	934 236	-	-261 232	-	-1 038 063
Share of loss in associates	-	70 157	-	139 018	275 772
Depreciations and Write down	5 421	2 827	10 843	5 653	15 665
Cash flow from operations before change in working capital	-7 348 039	-5 545 514	-19 450 731	-9 449 424	-32 635 763
Change in working capital					
Decrease (+) / Increase (-) in operating receivables	-2 797 059	43 369	-1 174 782	133 720	-98 705
Increase (+) / Decrease (-) in operating liabilities	416 758	-554 003	-1 033 142	-1 604 004	3 582 683
Cash flow from operations	-9 728 340	-6 056 148	-21 658 655	-10 919 708	-29 151 785
Investment in intangible fixed assets	-1 627	-	-1 627	-	-
Investment in BioPancreate	-	-	-	-	423 338
Investment in tangible fixed assets	-68	-	-25 358	-	-24 191
Cash flow from investing activities	-1 695	-	-26 985	-	399 147
Issue of shares	-	18 254 139	-	18 254 139	101 602 613
Cash flow from financing activities	-	18 254 139	-	18 254 139	101 602 613
Net change in cash	-9 730 035	12 197 991	-21 685 640	7 334 431	72 849 975
Liquid funds at the beginning of the period	85 167 516	19 409 586	97 123 121	24 273 146	24 273 146
Translation difference in cash flow and liquid funds	-61 572		-61 572	-	-
Liquid funds at the end of the period	75 375 909	31 607 577	75 375 909	31 607 577	97 123 121

Parent Company**Statement of Comprehensive Income**

Amounts in SEK	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
General and administrative costs	-2 910 296	-1 868 208	-6 885 990	-2 941 621	-14 626 880
Research and development costs	-6 773 581	-3 411 928	-13 562 699	-5 984 290	-15 090 260
Operating profit/loss	-9 683 877	-5 280 136	-20 448 689	-8 925 911	-29 717 140
Financial income	3 499 622	106 765	7 273 971	120 478	3 107 293
Financial expenses	-1 384 650	-374 970	-3 121 475	-648 745	-5 886 009
Profit/loss after financial items	-7 568 905	-5 548 341	-16 296 193	-9 454 178	-32 495 856
Income tax expense	-	-	-	-	-
Profit/loss for the period	-7 568 905	-5 548 341	-16 296 193	-9 454 178	-32 495 856
Other comprehensive income					
Comprehensive income for the period	-7 568 905	-5 548 341	-16 296 193	-9 454 178	-32 495 856

Parent Company**Balance Sheet**

Amounts in SEK	Jun 2014	Mar 2014	Dec 2013	Sep 2013	Jun 2013
ASSETS					
<i>Non-current assets</i>					
Tangible assets	53 687	58 867	38 758	42 673	26 967
Financial assets	40 455 790	40 455 790	40 455 790	21 858 999	21 858 999
Total non-current assets	40 509 477	40 514 657	40 494 548	21 901 672	21 885 966
<i>Current assets</i>					
Current receivables, non-interestbearing	5 062 224	1 603 961	423 305	731 286	43 643
Cash and cash equivalents	74 334 857	84 676 518	96 446 214	101 044 226	31 605 005
Total current assets	79 397 081	86 280 479	96 869 519	101 775 512	31 648 648
Total assets	119 906 558	126 795 136	137 364 067	123 677 184	53 534 614
EQUITY AND LIABILITIES					
<i>Shareholders' equity</i>	114 748 200	122 317 105	131 044 393	121 792 640	52 139 173
<i>Current liabilities</i>					
Current liabilities, non-interestbearing	5 158 358	4 478 031	6 319 674	1 884 544	1 395 441
Total short-term liabilities	5 158 358	4 478 031	6 319 674	1 884 544	1 395 441
Total equity and liabilities	119 906 558	126 795 136	137 364 067	123 677 184	53 534 614

Parent Company**Change in Shareholders' Equity**

Amounts in SEK	Share capital	Non registered share capital	Statutory reserve	Profit/loss carried forward	Share premium reserve	Total share-holders equity
Shareholders' equity, January 1, 2013	49 022 043	6 822 777	130 362 403	-185 180 109	42 312 098	43 339 212
Net profit/loss for the period				- 9 454 178		-9 454 178
<i>Transactions with shareholders</i>						
Issue of shares	12 846 050	-6 822 777	12 230 866			18 254 139
Shareholders' equity, June 30, 2013	61 868 093	-	142 593 269		42 312 098	52 139 173
Shareholders' equity, January 1, 2014	87 335 863	-	130 362 403	-217 675 965	131 022 092	131 044 393
Net profit/loss for the period				-16 296 193		-16 296 193
<i>Transactions with shareholders</i>						
Issue of shares						-
Shareholders' equity, June 30, 2014	87 335 863	-	130 362 403	-233 972 158	131 022 092	114 748 200

Financial notes**Note 1 – Accounting and valuation principles and other information*****Important accounting principles***

The unaudited interim report was prepared pursuant to *IAS 34 Interim Financial Reporting*, the *Swedish Annual Accounts Act*, and *RFR 1 Supplementary Accounting Regulations for Groups*. As with the 2013 annual accounts, the consolidated accounts were prepared in accordance with International Financial Reporting Standard (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The financial statements of the Parent Company were prepared in accordance with the *Swedish Annual Accounts Act* and the Swedish Financial Reporting Board's *RFR 2 Accounting for Legal Entities*.

Accounting principles applied, except for the changes listed below, are in accordance with those described in the 2013 Annual Report. The Cortendo Group consists of the parent company Cortendo AB (publ) and its wholly owned subsidiaries Cortendo Invest AB and BioPancreate Inc. More detailed information about the Group's accounting and valuation principles can be found in the 2013 Annual Report.

The financial statements were authorized for issue at the Board Meeting on 25 August 2014.

Change in accounting principles

There are no new accounting principles applicable from 2014 that significantly affects the Cortendo Group. Cortendo Group has adopted IFRS 10, 11 and 12, and IFRS 21 from January 1, 2014.

Note 2 – Fair values of financial instruments

The Group carries derivatives. Refer to the annual report 2013 for a narrative description of the purpose of the holdings. The derivatives (under the heading "current liabilities") are all level 2 instruments in the fair value hierarchy in the standard IFRS 13 (inputs other than quoted prices that are observable for the instruments, either directly or indirectly, are used in the fair value measurement).

At 30 June 2014 the calculated Market Values indicates NOK 1,184,408 in favor of Cortendo AB (publ).

Note 3 – Transactions with Related Parties

The parent company and its subsidiaries are considered to be related parties. As related parties are also considered board members, management and their immediate family members. Management refers to those persons that together with the CEO are part of the executive leadership group. In Cortendo this consists of CEO, CFO and three other persons. None of these are employees of the company.

Intra company procurement and sales

No intra company sales nor interest has occurred or been charged during the period.

Loans between companies in the group

Intracompany borrowings only exist as clearing accounts.

Procurement of services

Managers are engaged in their respective leadership roles through consultant agreements. The services are procured on normal commercial terms and are invoiced after services have been performed.

Remuneration to the board and management

From time to time the annual meeting has resolved to issue shares or options to key personnel in the company. These key persons are not employed but consultants.

The calculated actual value of such options has been presented in the results and balance sheet statements.

The company has during the Q2 2014, entered into a contract with a consultant that could lead to a maximum issuance of 115,000 shares with an average strike price of SEK 7.25.

Note 4 – Shares

Development in share capital and number of shares		Number of shares	Share capital, SEK
December 2012		49 022 043	49 022 043
January 2013	Issue of shares in connection with acquisition	6 102 500	6 102 500
January 2013	Issue of shares in connection with targeted emission	574 000	574 000
March 2013	Issue of shares in connection with targeted emission	146 277	146 277
March 2013		<u>55 844 820</u>	<u>55 844 820</u>
May 2013	Issue of shares in connection with targeted emission	1 616 000	1 616 000
June 2013	Issue of shares in connection with targeted emission	4 407 273	4 407 273
June 2013		<u>61 868 093</u>	<u>61 868 093</u>
September 2013	Issue of shares in connection with targeted emission	20 270 270	20 270 270
September 2013		<u>82 138 363</u>	<u>82 138 363</u>
October 2013	Issue of shares in connection with warrant programs	750 000	750 000
October 2013	Issue of shares in connection with acquisition	3 697 500	3 697 500
November 2013	Issue of shares in connection with warrant programs	750 000	750 000
December 2013		<u>87 335 863</u>	<u>87 335 863</u>
March 2014		87 335 863	87 335 863
June 2014		87 335 863	87 335 863

Note 5 – Share based incentive programs

The Company has issued individual option programs for consultants with assignments within the management of the company. The options have primarily been subscribed for without a premium payment and with a strike price that varies between the option programs, chiefly due to the timing of the individual option program.

Option program for certain members of management		
	2014	2013
Outstanding January 1	5 651 000	5 330 000
Outstanding Mars 31	5 651 000	5 330 000
Allocated during the period	115 000	-
Outstanding June 30	5 766 000	5 330 000
Allocated during the period	-	1 035 000
Outstanding September 30	-	6 365 000
Allocated during the period	-	961 000
Exercised during the period	-	-1 675 000
Outstanding December 31	-	5 651 000

Note 6 - First time adoption of IFRS

The Annual Report 2013 was the first report in accordance with International Financial Reporting Standard (IFRS) as adopted by the EU. The effects of the transition on the Income Statement and Balance sheet were relatively small and limited to share based incentive programs and revaluation of financial instruments. For more detailed information please see the Annual Report that is available on Cortendo's website www.cortendo.com

Note 7 - Interim Reports

In November 2013, Cortendo acquired 51 % of the shares in BioPancreate Inc. and assumed control of 100 % of the shares in the company. BioPancreate is consolidated for the entire first quarter 2014.

The Company has, as stated in note 6, from the annual report 2013 changed the reporting from Swedish GAAP to IFRS and also changed the reporting regarding the structure of the income statement, and will from now on report entirely on the basis of cost function.

Previously, the Company reported currency gains and losses within the Other Operating Income and Other Operating Expense lines respectively. Such items will hereinafter be reported within Financial Income and Financial Expenses respectively.

For comparison, the income statements and the balance sheets for 2013 have been adjusted to reflect the principles affecting the 2014 report.

Group**Statement of Comprehensive Income (Convenience Translation*) Appendix 1**

Amounts in USD	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Full Year 2013
General and administrative costs	-469 238	-286 929	-1 110 034	-470 588	-2 368 622
Research and development costs	-1 358 304	-515 397	-2 561 676	-916 430	-2 363 497
Share of loss in associates	-	-10 598	-	-21 289	-42 361
Operating profit/loss	-1 827 542	-812 924	-3 671 711	-1 408 307	-4 774 480
Financial income	564 976	16 128	1 144 591	18 450	636 770
Financial expenses	-28 420	-56 642	-474 148	-99 348	-904 149
Profit/loss after financial items	-1 290 986	-853 438	-3 001 267	-1 489 206	-5 041 860
Income tax expense	-	-	-	-	-
Profit/loss for the period	-1 290 986	-853 438	-3 001 267	-1 489 206	-5 041 860
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit/loss</i>					
Translation difference	-	-	-	-	-
Comprehensive income for the period	-1 290 986	-853 438	-3 001 267	-1 489 206	-5 041 860

*The statement of comprehensive income has been translated into USD via the FX rates for the corresponding period

Average rate SEK/USD Q2 2013: 6,62

Average rate SEK/USD H1'2013: 6,53

Average rate SEK/USD Q2 2014: 6,66

Average rate SEK/USD H1'2014: 6,58

Average rate SEK/USD FY 2013: 6,51

Group**Balance sheet (Convenience Translation*) Appendix 1**

Amounts in USD	Jun 2014	Mar 2014	Dec 2013	Sep 2013	Jun 2013
ASSETS					
Non-current assets					
Intangible assets	5 975 426	6 186 290	6 186 290	-	-
Tangible assets	8 258	9 372	6 320	6 637	4 019
Financial assets	11 629	12 040	12 040	3 316 422	3 188 482
Total non-current assets	5 995 314	6 207 702	6 204 650	3 323 059	3 192 501
Current assets					
Current receivables, non-interest bearing	418 288	146 919	212 480	155 427	16 805
Cash and cash equivalents	11 183 369	13 082 568	14 919 066	15 714 899	4 710 518
Total current assets	11 601 657	13 229 486	15 131 547	15 870 326	4 727 323
Total assets	17 596 971	19 437 188	21 336 197	19 193 384	7 919 824
EQUITY AND LIABILITIES					
Equity					
Shareholders' equity	16 773 679	18 648 827	20 325 117	18 912 477	7 711 860
Short-term liabilities					
Current liabilities, non-interest bearing	823 292	788 361	1 011 080	280 907	207 964
Total short-term liabilities	823 292	788 361	1 011 080	280 907	207 964
Total equity and liabilities	17 596 971	19 437 188	21 336 197	19 193 384	7 919 824

*The balance sheet in SEK has been translated into USD via the FX rates for the corresponding period

Second Quarter End 2013: 6,71

Third Quarter End 2013: 6,43

Fourth Quarter End 2013: 6,51

First Quarter End 2014: 6,51

Second Quarter End 2014: 6,74