



Interim report for the fourth quarter and full year 2014

CORTENDO REPORTS RESULTS AND ACTIVITIES FOR THE FOURTH QUARTER AND FULL YEAR 2014

HIGHLIGHTS - Q4 2014 AND POST PERIOD

- Cortendo closed two private placement financings totaling approximately SEK 302 million (\$37 million) during Q4 2014 and Q1 2015 with several well-known institutional specialist healthcare investors. Cortendo is pursuing a U.S. financing and listing strategy.
- COR-003 (levoketoconazole) Phase 3 SONICS trial - continued progress on trial implementation and recruitment. Twenty-seven trial sites have now been activated, and ten patients have been dosed with COR-003, as of Feb. 28, 2015. Overall the SONICS trial is on track with the stated timeline to have the last patient visit occur during the first half of 2017 and potential regulatory filings in the second half of 2017.
- Dr. Ruth Thieroff-Ekerdt appointed Chief Medical Officer.
- The Journal *Diabetes* published pre-clinical data on BioPancreate's novel diabetes treatment, BP-2001.
- Nomination committee proposed John H. Johnson as Chairman and Richard Kollender as director of the Board.
- Net loss for the Group was SEK 29.0 million for the fourth quarter and SEK 59.1 million for the full year, compared to SEK 9.7 million and SEK 27.7 million for the same periods in 2013, reflecting increased R&D and other activities offset by foreign exchange gains.
- Cash and cash equivalents at December 2014 amounted to SEK 122.1 million (\$ 15.6 million), compared to SEK 97.1 million at 31 December 2013. At the end of February 2015, cash and cash equivalents amounted to approximately SEK 318 million (\$ 38 million).

About Cortendo

Cortendo AB is a global biopharmaceutical company focused on developing solutions for orphan/rare diseases, with an initial focus on endocrinology. The lead drug candidate, COR-003, is in Phase 3 development for Cushing's syndrome. Cortendo's wholly-owned subsidiary BioPancreate Inc. is developing an innovative diabetes type 1 and 2 therapy based on genetically modified probiotic lactobacillus bacteria. Cortendo's business model is to independently commercialize orphan endocrinology products in key markets and to partner non-strategic product opportunities, such as BioPancreate's diabetes product, at relevant development stages.

OPERATIONAL REVIEW***Pipeline development******About COR-003 (levoketoconazole)***

COR-003 is in Phase 3 development for an orphan endocrinology disease, Cushing's syndrome. COR-003 has received orphan drug designation from the U.S. Food and Drug Administration (FDA) and the European Medicines Agency (EMA). The product is an immediate release formulation for oral application of levoketoconazole, a single enantiomer of racemic ketoconazole with more potent cortisol inhibition. During 2014, Cortendo initiated the SONICS trial. Historically, COR-003 has been dosed in 160 subjects during Phase 1 and Phase 2 trials for type 2 diabetes and metabolic syndrome. There are approximately 60,000 patients with Cushing's syndrome in the U.S. and Europe, of which approximately one third may be eligible for pharmaceutical therapy.

COR-003 – orphan drug for Cushing's syndrome

Cortendo has continued the implementation of the Phase 3 SONICS trial. By the end of February, the company had activated 27 trial sites in ten countries. Cortendo announced in August the first patient enrolled into the study. The company is continuing to make progress on screening and enrolling patients, as more sites are being activated. As of Feb. 28, 2015, ten patients had been dosed with COR-003.

Cortendo expects that the last patient visit will occur during the first half of 2017 and that potential regulatory submissions for marketing authorizations may be filed during the second half of 2017.

BioPancreate – biological therapeutic for type 1 and 2 diabetes utilizing genetically modified probiotic bacteria***About BioPancreate Inc. and its technology and diabetes product***

BioPancreate Inc. is a wholly-owned U.S. subsidiary of Cortendo AB. It is developing a novel, orally administered biological therapeutic utilizing modified probiotic bacteria. BioPancreate's product candidates for diabetes are genetically modified probiotic bacteria that exist in the human gastrointestinal tract. The BioPancreate drug candidates deliver a human biological peptide directly into the gastrointestinal tract, triggering the transformation of intestinal enteroendocrine cells into glucose-responsive insulin secreting cells. These effects have been demonstrated in various preclinical diabetes models to date, and the data were published in the scientific journal Diabetes in February 2015. The lead compound is currently in preclinical development.

BioPancreate Inc.'s next major milestone is to complete the preclinical development phase and file a U.S. investigational new drug (IND) application during the first half of 2016. If accepted, this would allow the company to initiate Phase 1 clinical development for its novel diabetes biologic.

On January 28, Cortendo announced that the journal [Diabetes](#) published a scientific paper reporting on a pre-clinical study that details the glucose-lowering effect of BP-2001, an orally administered genetically modified probiotic being studied for the treatment of type 1 and type 2 diabetes.

The paper entitled, "Engineered Commensal Bacteria Reprogram Intestinal Cells Into Glucose-Responsive Insulin-Secreting Cells for the Treatment of Diabetes", was published online ahead of print in [Diabetes](#), the peer-reviewed scientific journal of the American Diabetes Association. The

lead author of the paper is John C. March, PhD, an associate professor in the Department of Biological and Environmental Engineering at Cornell University in Ithaca, New York.

Business strategy – focus on late stage development and commercial products

Cortendo has decided to focus its management and financial resources on late stage development and commercial products. Cortendo is focusing its business development efforts on finding such assets. The next-generation cortisol inhibitor project has been put on hold and no more investments will be made for the foreseeable future.

Key news releases in the fourth quarter 2014 and post period

Financing and listing process

In December, Cortendo announced that it had completed a financing with HealthCap, the Third Swedish National Pension Fund, Storebrand and Arctic Fund Management for a private placement of 19,315,000 million shares of Cortendo resulting in gross proceeds of approximately SEK 81.5 million, equivalent to \$11 million.

On February 11, Cortendo announced that it had completed a financing with leading U.S. institutional specialist healthcare investors RA Capital Management, New Enterprise Associates (NEA) and Broadfin Capital, as well as HealthCap, a leading European venture capital healthcare investor, totaling approximately SEK 221 million or \$26.4 million.

Thus, the company raised a total of approximately SEK 302 million or \$37 million in Q4 2014 and Q1 2015. After the private placements, the total number of shares in the company amounts to 159,080,722.

These investments provide Cortendo with more capital and a shareholder base that will improve the prospects for the company's U.S. financing and listing plans, as well as a widened access to resources, which will be important for the advancement of corporate goals and the development of its pipeline.

Dr. Ruth Thieroff-Ekerdt - new Chief Medical Officer

On November 19, Cortendo announced the appointment of Dr. Ruth Thieroff-Ekerdt as Chief Medical Officer. Dr. Thieroff-Ekerdt brings more than 25 years experience across diverse therapeutic areas and orphan diseases in all aspects of drug discovery, development and regulatory approval. She is overseeing Cortendo's Phase 3 SONICS trial for COR-003 (levoketoconazole) in Cushing's syndrome and all other Cortendo R&D programs. Most recently, Dr. Thieroff-Ekerdt was Chief Medical Officer at Aptalis Pharmaceuticals, which was acquired in February 2014 by Forest Laboratories for \$2.9 billion. Dr. Thieroff-Ekerdt received her M.D. as well as a Dr. med degree from the Free University Berlin in Germany. She has pursued additional specialization in pharmacology and toxicology, including training in clinical pharmacology.

Nomination committee proposed John H. Johnson as Chairman and Richard Kollender as director of the Board

On February 27, Cortendo announced changes to the Company's board of directors proposed by the company's nomination committee. John H. Johnson has been nominated to serve as chairman

and Richard Kollender to serve as a director. Both nominations are subject to approval by the Extraordinary General Meeting of Shareholders in Cortendo, scheduled to be held on March 17, 2015.

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 7. This report has not been audited by the Company's auditors.

In addition, a convenience translation of the Group statement of comprehensive income and balance sheet into U.S. dollars has been provided in appendix 1, which is shown on page 18. This translation has not been performed in accordance with IFRS.

The company has changed its accounting for issuing costs. Such costs have in this report been deducted from Other capital contribution and do not affect the P&L statement. Consequently the loss for 2013 is now lower than reported in the annual report of 2013, amounting to SEK 5.1 million. The Other capital contribution as of 2012 is SEK 2.4 million lower than presented in the annual report 2013.

Results for the fourth quarter and full year 2014

Other operating income reflect grants and amounted to zero for the Q4 and full year 2014, compared to SEK 0.04 million and SEK 1.2 million for the same periods in 2013.

Operating expenses for Q4 2014 amounted to SEK 36.1 million and SEK 75.1 million for the full year 2014, compared to SEK 11.1 million and SEK 26.3 for the same periods in 2013. The increase in operating costs reflect the increased R&D and other activities, as well as the build-up of the internal organization. The strong U.S. dollar compared to the reporting currency SEK has also contributed significantly to the development of the operating costs. The U.S. dollar exposure has been hedged to a significant degree, reflected in the financial net.

For Q4 2014, R&D costs (which include patent costs) amounted to SEK 16.3 million and SEK 43.3 million for the full year 2014. For Q4 and the full year of 2013, R&D costs amounted to SEK 5.3 million and SEK 16.8 million, respectively.

The R&D cost increase compared to the previous year periods is due to the increased activity of the Phase 3 COR-003 SONICS trial, including related activities such as manufacturing of drug product, and higher expenses for BioPancreate due to increased activities related to manufacturing of drug substance and pre-clinical development. It is also due to increases in the number of R&D personnel and the strong U.S. dollar development, as mentioned above.

For Q4 2014, G&A costs were SEK 19.8 million and SEK 31.7 million for the full year 2014. G&A costs for the same periods in 2013 constituted SEK 5.9 million and SEK 10.7 million respectively. The increase compared to the previous year is due to increased overall activity including market analysis, communications and investor relations efforts, as well as increased personnel and legal costs.

Net financial items for Q4 2014 were SEK 4.6 million, compared to SEK 1.1 million for Q4 2013. Net financial items for the full year 2014 were SEK 13.4 million, compared to SEK -1.7 million for full year 2013. Interest on liquid assets, and in particular positive currency effects from the

strength in the U.S. dollar, on U.S. dollar deposits and the forward contracts held by the company for the purpose of hedging U.S. dollar based costs, led to the positive financial net.

The net loss was SEK 29.0 million for the Q4 2014 and SEK 59.1 million for the full year 2014, compared to SEK 9.7 million and SEK 27.7 million for the same periods in 2013.

Earnings per share were SEK -0.30 for the Q4 2014 and SEK -0.58 for the full year 2014, compared to SEK -0.11 and SEK -0.42 for the same periods in 2013.

Cash flow

Cash flow from operations was SEK -21.4 million for the Q4 2014 and SEK -50.7 million for the full year 2014, compared to SEK -5.6 million and SEK -24.8 million for the same periods in 2013.

Cash position and balance sheet

At 31 December 2014, cash and cash equivalents amounted to SEK 122.1 million (\$ 15.6 million) compared to SEK 97.1 million at 31 December 2013. By the end of the year, Cortendo had outstanding USD-based hedging contracts covering NOK 14.0 million (SEK 14.7 million), and in addition held cash in U.S. dollars corresponding to SEK 28.2 million).

Equity stood at SEK 153.3 million at 31 December 2014, up from SEK 127.7 million at the end of 2013, reflecting the share issue in Q4 2014 as well as the negative cash flow from operations.

Total liabilities amounted to SEK 18.4 million at 31 December 2014, compared to SEK 6.3 million at the same time last year, primarily reflecting an increase in accounts payable.

Shareholder information

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

The total number of shares outstanding per 31 December 2014 was 106,708,863 with a total number of outstanding share options of 10,736,000. Strike prices vary from SEK 1.00-11.33 per share, with an average of SEK 5.74 per share.

Financial calendar

Cortendo plans to present its Q1 financial results according the following schedule:

Q1 2015: 27 May 2015

For further information, please contact:

Alexander Lindström

Chief Financial Officer

Office: +1 610 254 9200

Mobile: +1 917 349 7210

E-mail: alindstrom@cortendo.com

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 COR-003 (levoketoconazole) or other products. Regulatory approvals may be denied, delayed, limited or revoked.

The commercial success of COR-003 (levoketoconazole), if approved in a territory, cannot be predicted with certainty. In addition, Cortendo may face the risk of interrupted supply of COR-003 for clinical or commercial use from the subcontractors Cortendo has contracted.

About Cortendo

Cortendo AB is a global biopharmaceutical company incorporated in Sweden and based in the United States. The Company's strategic focus is to be the global leader in commercializing innovative medicines for orphan endocrine disorders. Cortendo is leading the way in the field of cortisol inhibition through the investigational drug, COR-003 (levoketoconazole) currently being studied in the Phase 3 global SONICS trial for the treatment of Cushing's syndrome. The company's intent is to independently commercialize its orphan/endocrine assets in key global markets, and partner non-strategic product opportunities, such as diabetes, at relevant development stages.

Cortendo's lead drug candidate, is being evaluated in a global Phase 3 trial for treatment of Cushing's syndrome. COR-003 (levoketoconazole) has received orphan designation from both the European Medicines Agency (EMA) and the U.S. Food and Drug Administration (FDA).

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	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full Year 2013
Other operating income	-	37 288	-	1 150 736
General and administrative costs	-19 810 581	-5 853 341	-31 744 109	-10 693 185
Research and development costs	-16 281 395	-5 261 789	-43 331 804	-16 763 115
Operating profit/loss	-36 091 976	-11 077 842	-75 075 913	-26 305 564
Financial income	6 380 760	3 613 343	18 828 520	4 153 011
Financial expenses	-1 807 217	-2 540 237	-5 403 883	-5 886 009
Profit/loss after financial items	-31 518 433	-10 004 736	-61 651 276	-28 038 562
Income tax expense	2 526 537	296 869	2 526 537	296 869
Profit/loss for the period	-28 991 896	-9 707 867	-59 124 739	-27 741 693
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit/loss</i>				
Translation difference	2 561 442	413 234	6 084 682	-80 583
Comprehensive income for the period	-26 430 454	-9 294 633	-53 040 057	-27 822 276
Earnings/loss per share after tax (SEK)	-0,30	-0,11	-0,58	-0,42
Earnings/loss per share after dilution (SEK)	-0,30	-0,11	-0,58	-0,42
Number of shares	106 708 863	87 335 863	106 708 863	87 335 863
Average number of shares	88 422 027	85 575 238	91 592 776	66 007 781
Outstanding options	10 736 000	5 651 000	10 736 000	5 651 000
Number of shares after dilution	117 444 863	92 986 863	117 444 863	92 986 863
Average number of shares after dilution	101 278 559	91 199 858	95 361 137	72 227 328

Group

Balance sheet

Amounts in SEK	Dec 2014	Dec 2013	Dec 2012
ASSETS			
<i>Fixed assets</i>			
Intangible fixed assets	57 784 352	48 155 476	48 230 356
Tangible fixed assets	141 624	41 146	36 688
Financial fixed assets	78 379	78 379	78 379
Total fixed assets	58 004 355	48 275 001	48 345 423
<i>Current assets</i>			
Current receivables, non-interest bearing	4 294 971	1 383 248	391 653
Cash and cash equivalents	122 110 919	97 123 121	25 471 341
Total current assets	126 405 891	98 506 369	25 862 993
Total assets	184 410 246	146 781 370	74 208 416
EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>	153 295 435	127 659 951	58 016 976
<i>Deferred tax liability</i>	12 697 583	12 817 691	13 135 813
<i>Short-term liabilities</i>			
Current liabilities, non-interest bearing	18 417 228	6 303 728	3 055 627
Total short-term liabilities	18 417 228	6 303 728	3 055 627
Total equity and liabilities	184 410 246	146 781 370	74 208 416

Group

Changes in Equity

Amounts in SEK	Share capital	Non registered share capital	Other capital contribution	Commitment to issue shares	Profit/loss carried forward	Total share- holders equity
Shareholders' equity, January 1, 2012	22 695 106	-	137 388 925	-	-161 735 547	-1 651 516
Net profit/loss for the period					-17 801 352	-17 801 352
<i>Transactions with shareholders</i>						
Sharebased compensation					559 021	559 021
Issue of shares	26 326 937	6 822 777	25 433 525	18 327 584		76 910 823
Shareholders' equity, December 31 2012	49 022 043	6 822 777	162 822 450	18 327 584	-178 977 878	58 016 976
Shareholders' equity, January 1, 2013	49 022 043	6 822 777	162 822 450	18 327 584	-178 977 878	58 016 976
Net profit/loss for the period					-27 822 276	-27 822 276
<i>Transactions with shareholders</i>						
Sharebased compensation					933 368	933 368
Issue of shares	38 313 820	-6 822 777	83 083 109	-18 042 269		96 531 883
Shareholders' equity, December 31 2013	87 335 863	-	245 905 559	285 315	-205 866 786	127 659 951
Shareholders' equity, January 1, 2014	87 335 863	-	245 905 559	285 315	-205 866 786	127 659 951
Net profit/loss for the period					-53 040 057	-53 040 057
<i>Transactions with shareholders</i>						
Sharebased compensation					1 734 106	1 734 106
Issue of shares	19 373 000		57 853 750	-285 315		76 941 435
Shareholders' equity, December 31, 2014	106 708 863	-	303 759 309	-	-257 172 737	153 295 435

Group**Cash Flow Statement**

Amounts in SEK	Oct-Dec 2014	Oct-Dec 2013	Full Year 2014	Full Year 2013
Net result	-28 991 896	-9 707 867	-59 124 739	-27 741 694
<i>Adjustment for items not affecting cash flow:</i>				
Sharebased compensation	764 054	669 952	1 734 105	933 369
Revaluation of financial assets	-795 202	-1 038 063	-1 910 465	-1 038 063
Deferred taxes	-2 526 537	-296 869	-2 526 537	-296 869
Depreciations and Write down	25 508	3 915	51 467	15 665
Cash flow from operations before change in working capital	-31 524 073	-10 368 932	-61 776 169	-28 127 592
Change in working capital				
Decrease (+) / Increase (-) in operating receivables	379 455	395 822	-1 001 259	46 468
Increase (+) / Decrease (-) in operating liabilities	9 723 377	4 344 633	12 113 503	3 248 102
Cash flow from operations	-21 421 241	-5 628 477	-50 663 925	-24 833 022
Investment in intangible fixed assets	-4 047	282	-	-
Investment in BioPancreate	-	-	-	-
Investment in tangible fixed assets	-79 200	16	-151 945	-20 123
Cash flow from investing activities	-83 247	298	-151 945	-20 123
Issue of shares	76 941 435	737 999	76 941 435	96 531 882
Cash flow from financing activities	76 941 435	737 999	76 941 435	96 531 882
Net change in cash	55 436 947	-4 890 180	26 125 565	71 678 737
Liquid funds at the beginning of the period	67 438 809	102 021 209	97 123 121	25 471 341
Translation difference in cash flow and liquid funds	-764 837	-7 908	-1 137 767	-26 957
Liquid funds at the end of the period	122 110 919	97 123 121	122 110 919	97 123 121

Parent Company**Statement of Comprehensive Income**

Amounts in SEK	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full year 2013
General and administrative costs	-18 972 262	-5 105 529	-30 216 385	-9 556 150
Research and development costs	-13 630 632	-5 018 623	-35 400 467	-15 090 260
Share of loss in associates	-	-	-	-
Operating profit/loss	-32 602 894	-10 124 152	-65 616 852	-24 646 410
Financial income	5 904 390	2 567 717	17 236 863	3 107 293
Financial expenses	-1 815 688	-2 540 237	-5 412 354	-5 886 009
Profit/loss after financial items	-28 514 192	-10 096 672	-53 792 343	-27 425 126
Income tax expense	-	-	-	-
Profit/loss for the period	-28 514 192	-10 096 672	-53 792 343	-27 425 126
Other comprehensive income	-	-	-	-
Comprehensive income for the period	-28 514 192	-10 096 672	-53 792 343	-27 425 126

Parent Company**Balance Sheet**

Amounts in SEK	Dec 2014	Dec 2013	Dec 2012
ASSETS			
<i>Non-current assets</i>			
Tangible assets	139 907	38 758	32 620
Financial assets	40 728 290	40 455 790	21 858 999
Total non-current assets	40 868 197	40 494 548	21 891 619
<i>Current assets</i>			
Current receivables, non-interest bearing	8 674 003	423 305	245 766
Cash and cash equivalents	121 301 397	96 446 214	24 270 574
Total current assets	129 975 400	96 869 519	24 516 340
Total assets	170 843 596	137 364 067	46 407 959
EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>	154 193 485	131 044 393	43 339 212
<i>Current liabilities</i>			
Current liabilities, non-interest bearing	16 650 111	6 319 674	3 068 747
Total short-term liabilities	16 650 111	6 319 674	3 068 747
Total equity and liabilities	170 843 596	137 364 067	46 407 959

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, 2012	22 695 106	-	130 362 403	-161 737 267	7 024 753	-1 655 005
Net profit/loss for the period				-21 025 657		-21 025 657
<i>Transactions with shareholders</i>						
Issue of shares	26 326 937	6 822 777			32 870 160	66 019 874
Shareholders' equity, December 31, 2012	49 022 043	6 822 777	130 362 403	-182 762 924	39 894 913	43 339 212
Shareholders' equity, January 1, 2013	49 022 043	6 822 777	130 362 403	-182 762 924	39 894 913	43 339 212
Net profit/loss for the period				-27 425 126		-27 425 126
<i>Transactions with shareholders</i>						
Issue of shares	38 313 820	-6 822 777			83 639 264	115 130 307
Shareholders' equity, December 31, 2013	87 335 863	-	130 362 403	-210 188 050	123 534 177	131 044 393
Shareholders' equity, January 1, 2014	87 335 863	-	130 362 403	-210 188 050	123 534 177	131 044 393
Net profit/loss for the period				-53 792 343		-53 792 343
<i>Transactions with shareholders</i>						
Issue of shares	19 373 000				57 568 435	76 941 435
Shareholders' equity, December 31, 2014	106 708 863	-	130 362 403	-263 980 393	181 102 612	154 193 485

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.

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.

Cortendo has in accordance with IAS 8 made a correction of error as stated in note 8.

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 31 December 2014 the calculated Market Values indicates NOK 2,803,804 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, CMO and CBO. All of executive management are employees of the company as of October 1, 2014.

Intra company procurement and sales

No intra company sales has occurred. Intra company interest has been charged during the period.

Loans between companies in the group

Intracompany borrowings only exist as clearing accounts.

Procurement of services

For the period before October 1, 2014, some managers were engaged in their respective leadership roles through consultant agreements. The services were procured on normal commercial terms and were invoiced after services had 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 have either been employed or not employed, or consultants.

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

The company has during the Q4 2014, entered into a contract with the CBO, CMO and another non-executive employee that could lead to a maximum issuance of 2,390,000 shares with an average strike price of SEK 8.63.

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 issue	574 000	574 000
March 2013	Issue of shares in connection with targeted issue	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 issue	1 616 000	1 616 000
June 2013	Issue of shares in connection with targeted issue	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 issue	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
July 2014	Issue of shares in connection with acquisition	58 000	58 000
September 2014		<u>87 393 863</u>	<u>87 393 863</u>
December 2014	Issue of shares in connection with targeted issue	19 315 000	19 315 000
December 2014		<u>106 708 863</u>	<u>106 708 863</u>

Note 5 – Share based incentive programs

The Company has issued individual option programs for employees and 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 March 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	2 580 000	1 035 000
Outstanding September 30	8 346 000	6 365 000
Allocated during the period	2 390 000	961 000
Exercised during the period	-	-1 675 000
Outstanding December 31	10 736 000	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

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.

Note 8 - Restatement of Financial Statements

The Company has revised its view on when a controlling interest was achieved in respect of the acquisition of shares in the subsidiary BioPancreate Inc.

Following the acquisition of 36,250 shares in December 2012 Cortendo's shareholding amounted to 48.6%. The assessment is that Cortendo AB, even though the holdings are below 50%, de facto had control of BioPancreate Inc. from December 2012 due to existing put and call options.

Previously the subsidiary was consolidated in November 2013, but in the context of the new approach, the subsidiary should be consolidated as of December 2012.

This has been treated as a correction of error and therefore in accordance with IAS 8, a restatement of 2012 has been made with subsequent adjustments in 2013. Income statement and the Statement of Financial Position have been affected for the years 2012 and 2013. Cash flow and liquidity has not been affected.

When Cortendo gained control of BioPancreate in December 2012, the shares, formerly treated as shares in associates, were revalued at fair value over the Income Statement resulting in a gain of SEK 3.06 million.

The consideration for the shares in BioPancreate consisted of a new share issue in Cortendo AB of 6,105,200 shares at SEK 2.90 and the additional shares under the put and call option exercised in 2013 and 2014 of in total 3,755,500 shares at SEK 2.90. Fair value of the consideration amounted to SEK 35.7 million. The purchase price was allocated to patents and capitalized R&D to a total amount of SEK 34.3 million, goodwill of SEK 13.9 million, deferred tax liability of SEK 13.9 million and other net assets, SEK 1.3 million. The obligation was to deliver a fixed number of own equity instruments for a fixed number of Cortendo instruments. It was not a financial liability, and consequently, the put/call option is reflected within equity as part of accounting for the business combination as an obligation to issue shares.

The company has changed its accounting for issuing costs. Such costs have in this report been deducted from Other capital contribution and do not affect the P&L statement. Consequently the loss for 2013 is now lower than reported in the annual report of 2013, amounting to SEK 5.1 million. The Other capital contribution as of 2012 is SEK 2.4 million lower than presented in the annual report 2013.

Results and balance sheet items are translated according to the following table:

Restatement amount in Consolidated Income Statement

Amounts in SEK	2013	2012
Other operating income	1 150 736	-
G&A	4 726 544	2 417 185
R&D	-1 376 749	-
Share of loss in associate	275 772	256 165
Financial income	7 641	3 062 017
Financial costs	-	-
Tax	296 869	721 309
Net income	5 080 813	6 456 676
Other comprehensive income	-80 583	-

Consolidated Income Statement after restatement

Amounts in SEK	2013	2012
Other operating income	1 150 736	-
G&A	-10 693 185	-5 692 495
R&D	-16 763 115	-15 413 350
Share of loss in associate	-	-
Financial Income	4 153 011	3 460 525
Financial costs	-5 886 009	-877 341
Tax	296 869	721 309
Net income	-27 741 693	-17 801 352
Other comprehensive income	-80 583	-
Comprehensive income for the period	-27 822 276	-

Restatement amount in Consolidated Income Statement of financial position

Amounts in SEK	2013-12-31	2012-12-31
Intangible fixed assets	7 882 729	48 230 356
PP&E	-	4 068
Financial assets (deposits)	-	-21 455 356
Other receivables	-	237 502
Tax receivable	-	-92 329
Prepaid cost and accrued income	-	-
Cash	-	1 198 195
Total impact assets	7 882 729	28 122 436
Restricted Equity		
Share capital	-	-
Non-registered share capital	-	-
Shareholder contribution	-131 022 092	-42 312 097
Non-Restricted Equity		
Retained earnings (acc. loss)	5 538 599	-
Share premium reserve	115 541 387	32 458 278
Obligation to issue share	285 315	18 327 584
Loss for the period	5 000 230	6 456 676
Deferred tax liability	12 817 692	13 135 813
Accounts Payable	-	-
Other liabilities	-	56 182
Accrued Expense and prepaid income	-278 402	-
Total impact of equity and liabilities	7 882 729	28 122 436

Consolidated Statement of Financial Position after restatement

Amounts in SEK	2013-12-31	2012-12-31
Intangible fixed assets	48 155 476	48 230 356
PP&E	41 146	36 688
Financial assets (deposits)	78 379	78 379
Other receivables	1 294 555	378 750
Tax receivable	76 380	-
Prepaid cost and accrued income	12 313	12 903
Cash	97 123 121	25 471 341
Total assets	146 781 370	74 208 417
Restricted Equity		
Share Capital	87 335 863	49 022 043
Non-registered share capital	-	6 822 777
Premium Fund	130 364 172	130 364 172
Non-Restricted Equity		
Retained earnings (acc. loss)	-178 044 510	-161 176 526
Share premium reserve	115 541 387	32 458 278
Obligation to issue share	285 315	18 327 584
Loss for the period	-27 822 276	-17 801 352
Deferred tax liability	12 817 692	13 135 813
Current liabilities		
Accounts Payable	4 238 211	1 003 162
Other liabilities	94 148	80 289
Accrued Expense and prepaid income	1 971 368	1 972 177
Total equity and liabilities	146 781 370	74 208 417

Group

Statement of Comprehensive Income (Convenience Translation*) Appendix 1

Amounts in USD	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full Year 2013
Other operating income	-	5 730	-	176 656
General and administrative costs	-2 674 756	-899 476	-4 628 973	-1 641 570
Research and development costs	-2 198 258	-808 573	-6 318 708	-2 573 398
Operating profit/loss	-4 873 014	-1 702 319	-10 947 681	-4 038 312
Financial income	861 508	555 258	2 745 603	637 552
Financial expenses	-244 004	-390 355	-788 002	-903 594
Profit/loss after financial items	-4 255 510	-1 537 416	-8 990 081	-4 304 354
Income tax expense	341 124	45 620	368 423	45 574
Profit/loss for the period	-3 914 385	-1 491 797	-8 621 657	-4 258 780
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit/loss</i>				
Translation difference	345 837	63 501	887 277	-12 371
Comprehensive income for the period	-3 568 548	-1 428 296	-7 734 380	-4 271 151

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

Average rate SEK/USD FY 2013: 6,514

Average rate SEK/USD FY 2014: 6,8577

Average rate SEK/USD Q4 2013: 6,5075

Average rate SEK/USD Q4 2014: 7,4065

Group

Balance sheet (Convenience Translation*) Appendix 1

Amounts in USD	Dec 2014	Dec 2013	Dec 2012
ASSETS			
Fixed assets			
Intangible fixed assets	7 397 155	7 398 973	7 402 289
Tangible fixed assets	18 130	6 322	5 631
Financial fixed assets	10 034	12 043	12 029
Total fixed assets	7 425 318	7 417 338	7 419 950
Current assets			
Current receivables, non-interest bearing	549 813	212 533	60 110
Cash and cash equivalents	15 631 798	14 922 734	3 909 285
Total current assets	16 181 611	15 135 267	3 969 395
Total assets	23 606 929	22 552 604	11 389 345
EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	19 623 825	19 614 644	8 904 318
Deferred tax liability	1 625 457	1 969 407	2 016 056
Short-term liabilities			
Current liabilities, non-interest bearing	2 357 647	968 553	468 971
Total short-term liabilities	2 357 647	968 553	468 971
Total equity and liabilities	23 606 929	22 552 604	11 389 345

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

Closing 2012: 6,5156

Closing 2013: 6,5084

Closing 2014: 7,8117